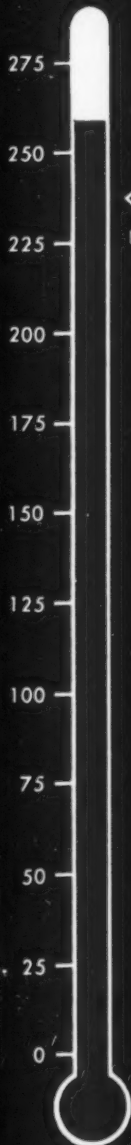


BUSINESS WEEK

**Guaranteed
Annual Wage**
WHAT IT'S ABOUT
PAGE 96



Macy's Bingham: More attention to people, less to price (page 86)

A MCGRAW-HILL PUBLICATION

APR. 11, 1953

TWENTY-FIVE CENTS



Mothers and Daughters Doing Fine

In Her Mother's Footsteps—"Mother did all right and I hope to do as well," says Telephone Operator Betty Miller. She's shown here with her mother, Mrs. Ruby Miller, a telephone Service Assistant.

Many work together in telephone offices in communities throughout the country

It happens over and over again. A daughter sees how much her mother likes her telephone job and decides she would like to work there, too. So in she comes to put in her application.

When daughter follows mother, and brother follows sister, and son follows father, you get a pretty good line on how people feel about the telephone company.

They know from firsthand experience that "it is a good place to work."



Like Mother. Like Daughter. Betty Johnson (left) is a Service Order Typist in the same telephone building where her mother, Mrs. Dena Johnson, is Business Office Supervisor. Mrs. Johnson's aunt and cousin are telephone employees, too.



A Telephone Family. Mrs. Grace M. Donewald, an Instructor, visits her mother, Mrs. Grace Franks, a Special Commercial Clerk. Her father, a telephone Commercial Engineer, has recently been assigned as a Defense Activities Coordinator.

BELL TELEPHONE SYSTEM . . . "A Good Place to Work"





Treasures ON THE FOAM

MINERAL TREASURES—tiny particles of zinc, lead, copper or molybdenum compounds—collect on the foam of air bubbles stabilized by a frother. This is ore flotation. It permits the separation of one mineral from another, prepares them for refining at the smelter.

To make ore flotation more efficient, mineral mills use a *selective* frother—like methyl isobutyl carbinol. By changing the lifting power of the air bubbles, MIBC permits them to carry the desired mineral particles to the surface where

they can then be skimmed off for the smelter.

Economical, as well as selective, MIBC has in many cases reduced the amount of frother needed by more than 50% and brought higher recovery of a better grade concentrate.

Manufacture of MIBC from petroleum is another example of Shell Chemical's partnership with industry and agriculture. Application of petroleum chemistry to your needs is our constant purpose.

Shell Chemical Corporation

Chemical Partner of Industry and Agriculture

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Charm of a Country Inn



Living room at Oak Haven Inn, on the "eastern shore" near Easton, Md. 4-zone Webster Baseboard Heating system installed in 1951, owners delighted with results.

Comfort of Webster Baseboard Heating

Obsolete 30-year old hot air heating system replaced by Forced Hot Water Webster Baseboard Heating during the heating season without interfering with guests.

Oak Haven Inn near Easton, Md., was once a private home. Then the Berkeley Brandts fell in love with it. Without sacrificing its unusual charm, they changed it into a year-round vacation retreat.

"In 1951, we decided to replace the obsolete 30-year old gravity hot air system", Mr. Brandt said. "We decided on Webster Baseboard Heating because we wanted the heating out of sight as well as out of mind. There is no exposed piping!"

"The change-over was made during the heating season without inconvenience to our guests. C. Albert Matthews, well-known Easton contractor, had his men work room by room, cleaning up each day to permit occupancy at night.

"Now guests are comfortable without being aware of heat. The new system spreads the heat evenly all around the perimeter of the building. It's clean too! We know because we can see the difference. The system is zoned so we can shut off unused portions of the inn."

If you are considering a heating modernization program, call the Webster Representative, or write for his name.

Address Dept. BW-4

WARREN WEBSTER & CO.
 Camden 5, N.J. Representatives in Principal Cities
 In Canada, Darling Brothers, Limited, Montreal

Webster
 TRU-PERIMETER FORCED HOT WATER
 BASEBOARD HEATING

*It will serve
on any Panel...*



*Added Evidence
that*

Everyone Can Count on VEEDER-ROOT

REPORTER AT LARGE . . . that's what you might call this new Veeder-Root Reset Magnetic Counter . . . adaptable to remote counting from machines or processes to central boards or instrument-clusters, wherever you want to put them. NOW . . . what can

your imagination do with these few facts? For the full facts, write:

VEEDER-ROOT INCORPORATED

"The Name That Counts"

HARTFORD 2, CONNECTICUT

Chicago 6, Ill. • New York 19, N. Y. • Greenville, S. C.
Montreal 2, Canada • Dundee, Scotland
Offices and Agents in Principal Cities



"Counts Everything on Earth"

and into the Future

PREPARED THE HOME TO SERVE YOU BETTER NOW—AND IN THE YEARS TO COME



1859

First Oil Well, Titusville, Pa.



1871

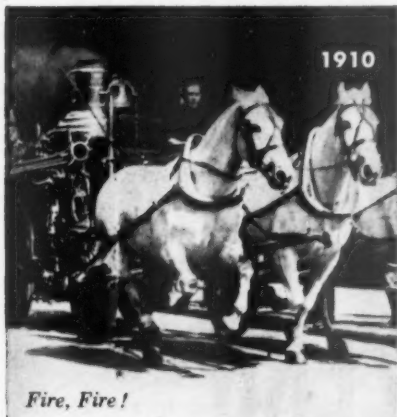
Chicago Fire



1886

Statue of Liberty

founded...in the century since, has looked upon the trials and triumphs, joys and tragedies, excitement,



1910

Fire, Fire!



1918

New York, Home Again



to policyholders...has acquired the experience, strength, and facilities



1953

United Nations, New York

representatives everywhere.

Your Home agent today performs services and provides protection undreamed of a hundred years ago. This is only a beginning. Today's challenges and problems will become the opportunities and advancements of tomorrow. This you can count on—The Home and its agents will be alert to your insurance needs whatever they may be in the days to come. This has been the pattern of the past. It is the promise of the future.

★ THE HOME ★
Insurance Company

Home Office: 59 Maiden Lane, New York 8, N. Y.

FIRE • AUTOMOBILE • MARINE



THE HOME INDEMNITY COMPANY, AN AFFILIATE, WRITES CASUALTY INSURANCE, FIDELITY AND SURETY BONDS

Across the years



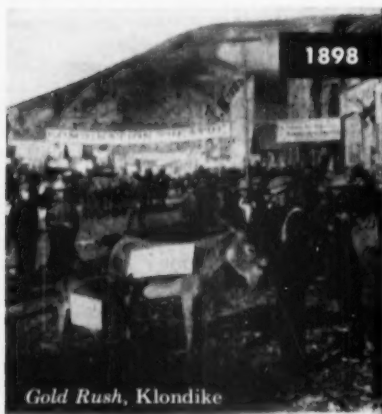
LEVI F. MORTON
Director,
The Home Insurance Company, 1853.
Vice President
of the United States, 1889-1893.

HOW A HUNDRED YEARS AND A BILLION AND A HALF DOLLARS HAVE

THE FIRST HOME agents appointed a hundred years ago faced an unprecedented era of progress—of challenge and of opportunity. The century that lay before them was to encompass the whole gamut of human experience—from booms to bust, wars and peace, growth and growing pains—yet always, in every field of endeavor, the keynote was expansion—and always the demands on the supplier of property insurance grew greater. They did a big job and did it well, these early Home agents. On the foundation they built and in the spirit of service they created, The Home today faces its second century with full confidence.



On April 13, 1853, The Home was



adventure and progress of the nation... has paid out more than a billion and a half dollars in claims



to provide better insurance services to more people through more than 52,000 outstanding Home

METCALF & EDDY and
ALFRED HOPKINS & ASSOCIATES
Architects—Engineers
NORTH ATLANTIC CONSTRUCTORS
General Contractors



CAULKING COMPOUND KEEPS "BLUE JAY," GREENLAND, AT

as "Snug" and the workers and service men enjoy better than normal health. Vulcatex (L.T.) Caulking Compound keeps the heat in and the fierce cold out. Thousands of other important buildings in the United States and throughout the world are also protected by Vulcatex in every climate and type of structure.

Vulcatex, a product of the Horn Research Laboratories, has outstanding properties of plasticity, adhesion and long life. Many applications

over 20 years old are still completely effective. You can rely on the performance of any Horn product. This has been true for 56 years.



A. C. HORN COMPANY, INC.,
Long Island City 1, N. Y.

Please send me ☐ complete data on
VULCATEX



☐ free copy of your
106-page Construction
Data Handbook



BW93

NAME _____ TITLE _____

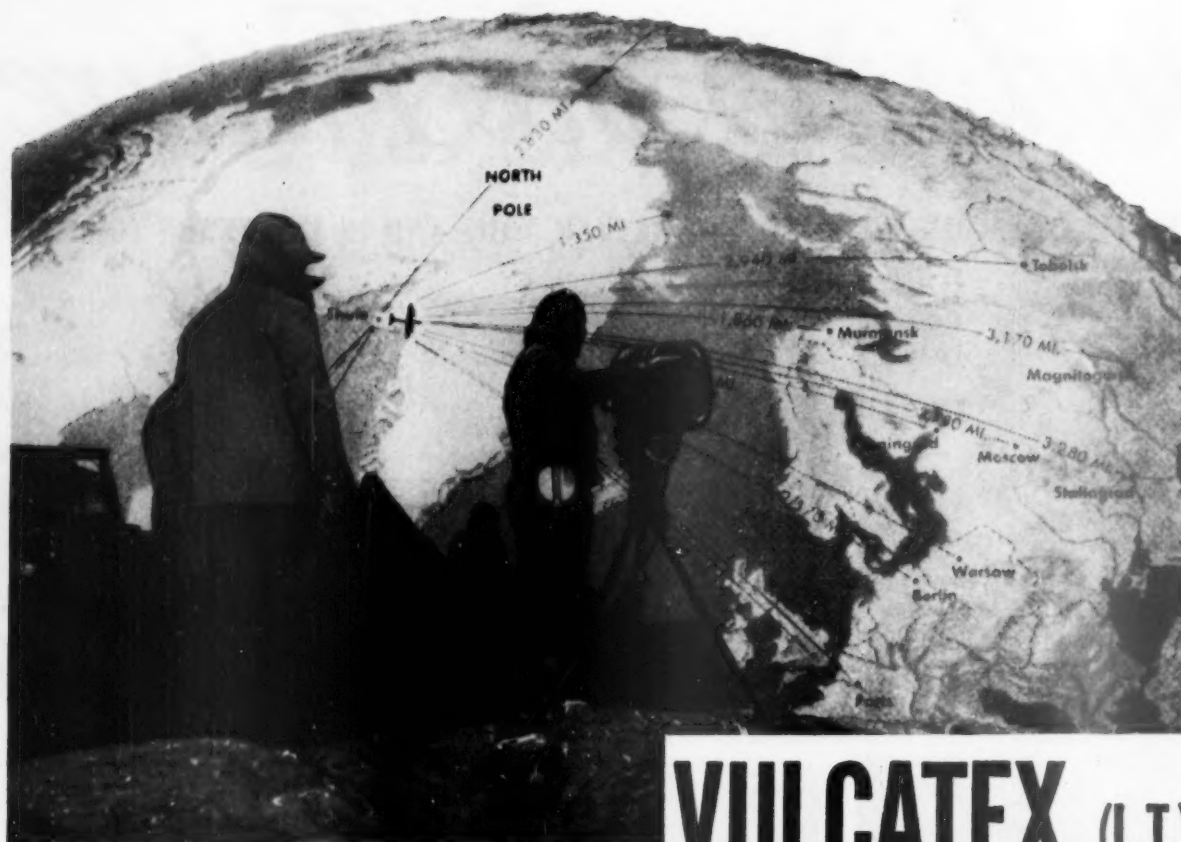
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CITY _____ STATE _____

A. C. HORN est. 1897
CO., Inc.

Manufacturers of materials for building maintenance and construction
LONG ISLAND CITY 1, N. Y. • Los Angeles • San Francisco • Houston
Chicago • Toronto SUBSIDIARY OF SUN CHEMICAL CORPORATION



VULCATEX (L.T.)

OUT COLD ON OPERATION 60 DEGREES BELOW ZERO

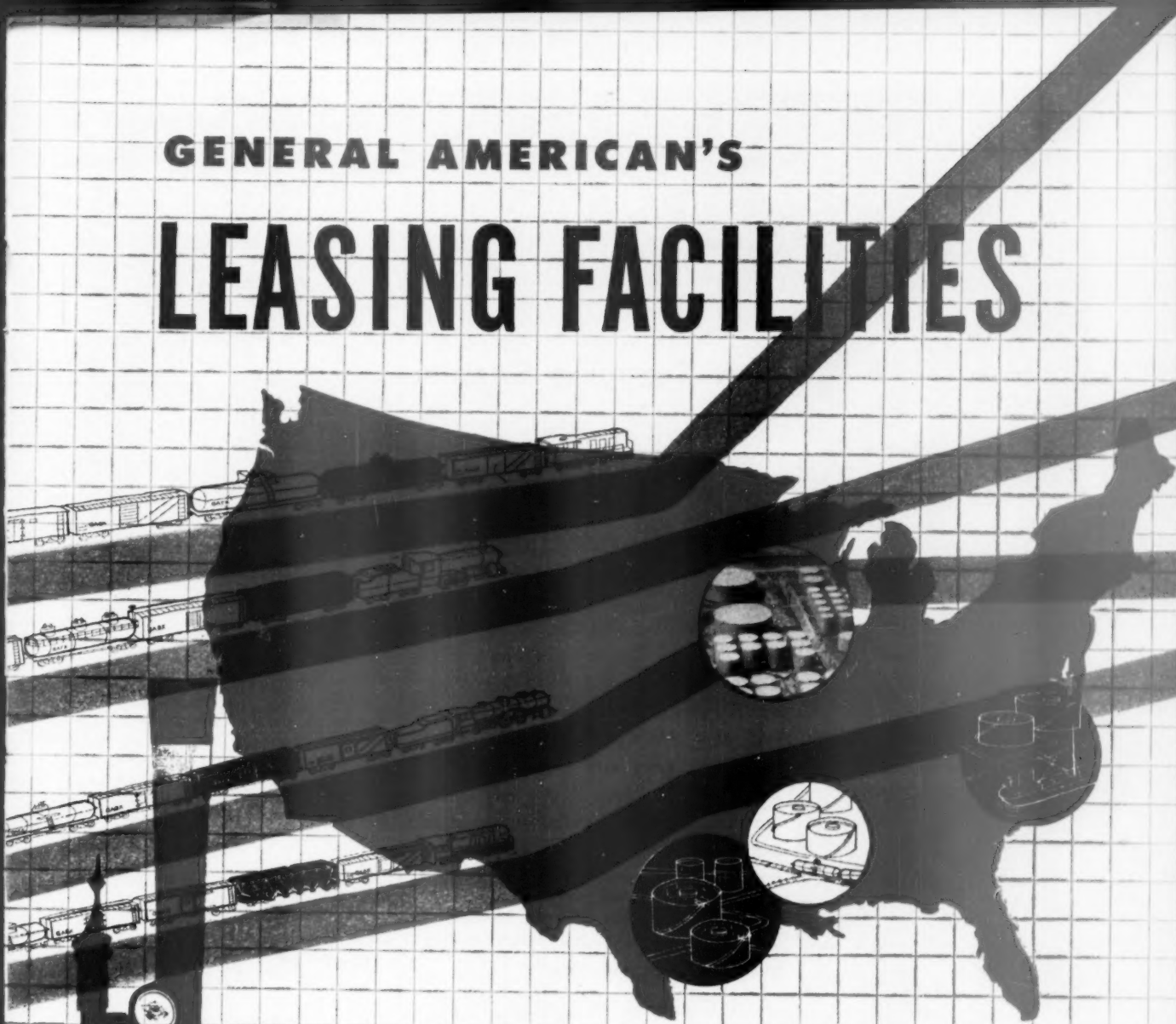


Through the announcement of the Defense department the public now knows about operation "Blue Jay" only 900 miles from the North Pole. This modern engineering miracle is a full scale year round bomber base. Temperatures of minus 60° F are common and winds drive rain or snow against the structures at 150 miles per hour. In such cold even rubber and steel become brittle.

The A. C. Horn Company Inc. has the honor of having supplied over 40,000 gallons of its special low temperature Vulcatex Elastic Caulking Compound. This was used in the joints and between the panels of the many pre-fabricated structures for water-tight, air-tight seals.

Operation "Blue Jay" in spite of the inhuman cold is now described

GENERAL AMERICAN'S LEASING FACILITIES



The GATX tank car fleet, designed and built for safe shipment of bulk liquids, now has more than 46,000 cars serviced and maintained in General American's own shops.

The GARX-URTX refrigerator car fleet of more than 11,000 cars continues to carry perishables to market swiftly and economically.

Railroads and shippers find that **GAEX-DF (damage-free)** box cars set new records for safe transportation of fragile products.

When you use General American's leasing facilities, you risk no capital. You use the specialized equipment required for up-to-date methods of shipping and storing and you get all the advantages of private ownership.

New fleets of Trans-Flo cars, the sanitary covered hopper cars, carry flour and dry chemicals. Besides eliminating contamination, they save cost of individual packages.

Tank farm facilities of General American Tank Storage Terminals have been increased by the addition of a big new terminal at Chicago. Now five major markets—Carteret, N. J. (Port of New York), Goodhope, La. (Port of New Orleans), Houston and Corpus Christi, Tex., plus Chicago, Ill.—offer all the modern equipment you want.



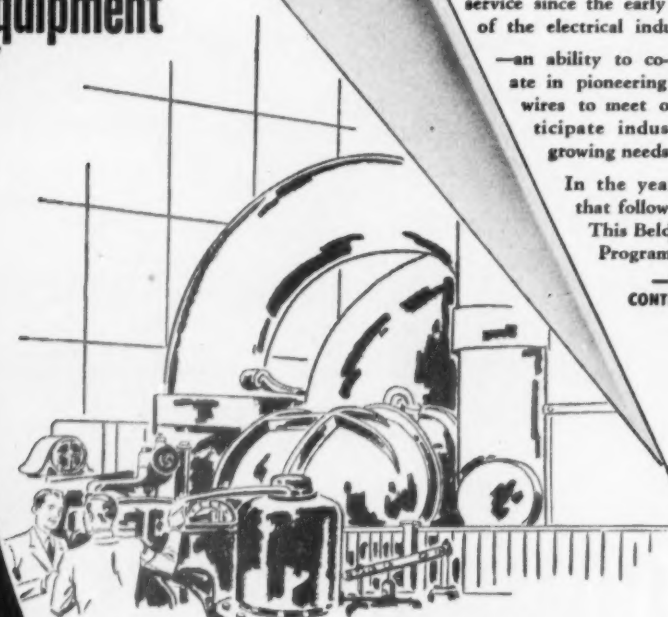
GENERAL AMERICAN TRANSPORTATION CORPORATION

135 South La Salle Street • Chicago 90, Illinois

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If You Make Power Equipment



To You,
Belden's Golden Anniversary Means



—product performance that can come only from a "know-how" that has grown through actual service since the early days of the electrical industry.

—an ability to co-operate in pioneering new wires to meet or anticipate industry's growing needs.

In the years that follow
This Belden Program Is

—TO BE
CONTINUED

....WIRE WITH Belden AND CUT COSTS

CUT COSTS with a specialized magnet wire—developed specifically for your requirements.

CUT COSTS in lower production waste and fewer rejections upon inspection. Cut costs by reducing customer complaints—cutting repair comebacks—assure low-cost maintenance and customer good will.

CUT COSTS: specify Belden Magnet Wire. Check its advantages with Belden engineers, today.

There is
plus protection
in Belden
Magnet Wire

Belden Manufacturing Co.
4689-A W. Van Buren St.
Chicago 44, Illinois

Belden

WIREMAKER FOR INDUSTRY

READERS REPORT



Give Ear All Rotarians

Dear Sir:

May I get into the gear fray, too? I'm an active Rotarian, NAMer, and Executive Secretary of the American Gear Manufacturers Assn. . . .

In answer to H. L. Conrad's plaint [BW—Mar. 14 '53, p8]—the gear is almost as old as the advent of mechanics to the minds of men. There are as many forms of this useful mechanical principle as there are engineers to apply them.

However, the NAM symbol is not a depiction of a true gear. It is simply a pleasing array of geometric forms, much the same as our AGMA symbol. Rotary's symbol is a true gear, note the keyway for fitting it on a shaft—the uniform spokes supporting the rim—and the perfection of the gear tooth design.

JOHN C. SEARS

EXECUTIVE SECRETARY
AMERICAN GEAR MANUFACTURERS ASSN.
PITTSBURGH, PA.

Oil on Troubled Waters

Dear Sir:

I have just read BUSINESS WEEK's article about the serious situation which has occurred as a result of increased oil imports [BW—Mar. 21 '53, p34]. Your writer covered a complex subject in a few words.

You may also be interested in the following: We estimate that foreign oil will cost domestic producers an additional \$750,000 each day in 1953. This importing is done primarily by seven large international companies, taking markets from the estimated 15,000 American producers of oil. We know that small domestic companies have tried for oil where more conservative firms have feared to tread. As the finders of most of the new reserves, they are a vital bulwark of national security. Foreign oil, on the other hand, takes



Imagine keeping track of 190,803 brothers!

That was the problem facing the Order of United Commercial Travelers of America, Columbus, Ohio, a fraternal Insurance organization providing death and accident benefits to its members. And, brother, what a problem!

Things were already getting out of hand when U.C.T., then 68,000 strong, called in McBee back in 1937. Since then its membership has nearly *tripled*, but McBee Keysort Master cards, one for each fraternal member, keep everything under control.

U.C.T.'s Keysort cards are pre-coded with holes punched along all four edges. Certain holes are notched. This permits the cards desired to drop

out of the stack of undesired cards for any sorting purpose. When the information on the cards is completed, sorting becomes a very simple matter.

There are 604 Councils, several with as many as 2,500 brother members. The Master card of every member is always immediately available in the Council file drawer for recording address changes, tabulating data or looking up a variety of personal information when an accident or death is reported.

Because the original record is used for every record-keeping purpose, there is no need for copying and re-copying, no chance for errors.

The notches in the cards form a furrow in the card file which provides instant visual check of filing accuracy.

No other system could provide U.C.T. — or, for that matter, *any* firm or organization — with management controls at the low cost achieved by modern, flexible McBee Keysort.

Leading executives in almost every kind of business you can name are using McBee methods to save time, money, work and worry. That's why McBee sales today are *ten times* what they were a few short years ago.

There's a trained McBee representative near you. Ask him to tell you how McBee can help you. Or write us.



THE McBEE COMPANY

Sole Manufacturer of Keysort—
The Marginally Punched Card
295 Madison Ave., New York 17.



Offices in principal cities.
The McBee Company, Limited,
11 Bermondsey Road, Toronto 13



Frick Unit Conditioners have a blue-grey Hammermatic finish that blends well with any surroundings.



The Beauty Salon and Drug Store at Freedom Shopping Center.

New Shopping Center Uses



Air Conditioning Throughout

The eleven stores in the big new Freedom Shopping Center in Baltimore, built and owned by Henry J. Knott Enterprises, are all kept cool and comfortable with Frick Unit Air Conditioners. Several of these are tied-in with heaters for year-round use. Installation by the Paul J. Vincent Co., Baltimore Distributors who have put Frick Air Conditioning in over 100 theatres.

Frick Refrigerating and Air Conditioning Equipment can solve YOUR cooling problems equally well. Write

Frick Company, Waynesboro, Penna.



Also Builders of Power Farming and Sawmill Machinery

scarce manpower, tankers, and convoys during wartime.

Even as your article appeared, the IPAA's Imports Policy Committee . . . passed a resolution recommending that "the Congress be urged to impose quota restrictions on a quarterly basis so as to limit total imports of crude petroleum and petroleum products to an amount not exceeding 10% of the domestic demand . . . for the same quarter of the previous year."

We feel that your article was objective, as well as interesting. Because it presents the over-all picture so concisely and thoroughly, we have requested reprints to send to our membership.

RUSSELL B. BROWN

GENERAL COUNSEL
INDEPENDENT PETROLEUM ASSN. OF
AMERICA
WASHINGTON, D. C.

Calc'late You're Right

Dear Sir:

We were very happy to see the nice little writeup about the Braille Calculator on page 74 of the Mar. 21 issue of BUSINESS WEEK. . . .

We were disturbed to note the erroneous name of the company which was in the picture caption. It has been nearly a year since the company name has been Marchant Calculators, Inc., and this name appears in all our advertising, including the color pages in BUSINESS WEEK. . . .

CHARLES C. GADSBY

MANAGER
PUBLIC RELATIONS & ADVERTISING
MARCHANT CALCULATORS, INC.
OAKLAND, CALIF.

Motor Bike Backfires

Dear Sir:

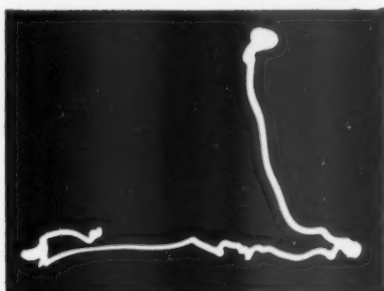
On page 130 of your Mar. 7 issue, there is an item entitled No Tariffs On Foreign Cars?

Mention is made of a bill introduced by Rep. Allan Hunter of California (not Colorado) that would scrap completely the 10% duty on vehicles—cars, trucks, buses, and motorcycles. . . . The information given . . . should be corrected.

Mr. Hunter's bill is H. R. 3482. Paragraph 369 of the Tariff Act of 1930, Item B reads: "All other automobiles, automobile chassis, and automobile bodies and motorcycles, all the foregoing whether finished or unfinished, 10 percentum ad valorem."

Mr. Hunter's bill suggests that all items be eliminated from paragraph 369 except motorcycles so that paragraph 369 would then read: "Motorcycles whether finished or unfinished, 10 percentum ad valorem."

In other words, Mr. Hunter recommends the elimination on all of the



MACHINE WITH EXTRA KEYBOARD

This photo-path pattern shows the actual head motion of the operator who has to think and work in two systems, not one. Head and mind work harder.



MONROE SINGLE KEYBOARD

Operator's head travels only one-sixth as far, as proved by this light pattern. No bob or weave on the compact Monroe Single Keyboard.

How to make HEADWAY against your Calculating Costs

In cutting your overhead, head travel (the movement of the operator's head when making calculations) can be an important factor. When you reduce head travel you reduce fatigue . . . improve efficiency . . . and sharply reduce costly errors.

A series of scientific motion photographs made by the U. S. Testing Company, Inc., revealed that the fully automatic Monroe Calculator—tested* against comparable machines on the same routine business problems—reduces head travel much more. Reduces hand travel, eye travel, too.

The exclusive Monroe Single Keyboard is so compact the operator moves her head less, "uses" it better. This lets the operator work with complete, undistracted concentration. And—by saving motion and lessening fatigue—it makes for maximum figuring efficiency . . . keeps personnel happier . . . far more productive. It actually saves you money!

Only the Monroe with its famous, exclusive Single Keyboard registers zeros and decimals automatically. Only the Monroe frees the operator so completely—hand, head and eye—for greater figure output.

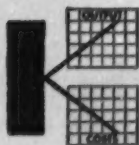
You can see for yourself how you can save time and money with the Single Keyboard Monroe Calculator. For additional photographic evidence, call your local Monroe man today for a demonstration.

*Test No. 44156, April 10, 1952



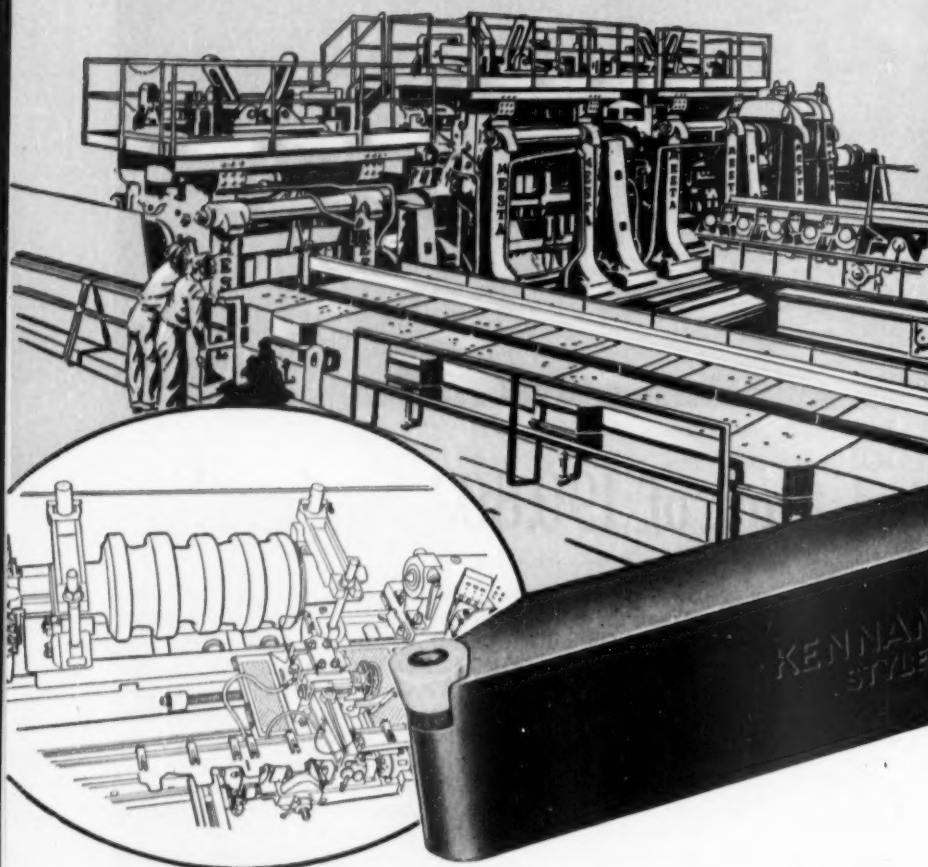
MONROE
CALCULATING • ADDING
ACCOUNTING MACHINES

MONROE CALCULATING MACHINE COMPANY, INC., ORANGE, NEW JERSEY



HOW KENNAMETAL PROMOTES PRODUCTIVITY IN THE STEEL INDUSTRY

Cutting Corners IN THE STEEL INDUSTRY



Profile machining, in the steel industry, was just a dream of farsighted engineers until Kennametal made it a reality. This operation, involving miles of continuous cutting, was too severe for steel tools.

Kennametal engineers, cooperating with steel men, developed a new type of tooling with Kennametal cemented carbide as the cutting edge.

With this tooling available, it became practicable to design cost-saving profiling lathes, in which the cutting tool, guided by a stylus following a template,

accurately machines contours on the face of a large mill roll, at high speed.

Your product or production process, when wear is a critical factor, may be vastly improved by using Kennametal cemented tungsten carbide. It is a unique material—tough, strong, almost as hard as the diamond, up to 50 times as durable as steel.

Tell us your problem. Our metallurgists and engineers will help you solve it with Kennametal.

KENNAMETAL Inc.
Latrobe, Pa.

WORLD'S LARGEST Independent Manufacturer
Whose Facilities are Devoted Exclusively to Processing and Application of CEMENTED CARBIDES

vehicles listed except motorcycles which would mean that the 10% rate of duty on motorcycles would remain in effect.

E. V. GUMPERT

EXPORT MANAGER
HARLEY-DAVIDSON MOTOR CO.
MILWAUKEE, WIS.

Like a Fish Out of Water

Dear Sir:

Although the members of the Wood Office Furniture Institute are all for the friendly and homelike atmosphere in offices which office furniture only of wood can provide, we shudder to think about what will happen to Mr. Hausman's coccyx (The Man Without a Desk, page 182 of the Mar. 14 issue) after a few years of bending over a cocktail table 14 in. high, signing his mail at seat level on the sofa, sitting on the end of his spine at the edge of the sofa, perching atop his credenza, etc. A functional modern wood desk with adjustable height and a scientific wood posture chair would assure him of better health and a longer life through proper posture during the majority of his waking hours which are spent in the office.

Give it up, Mr. Hausman!

E. H. GATEWOOD, JR.

EXECUTIVE SECRETARY
WOOD OFFICE FURNITURE INSTITUTE
WASHINGTON, D. C.

Self-Liquidation

Dear Sir:

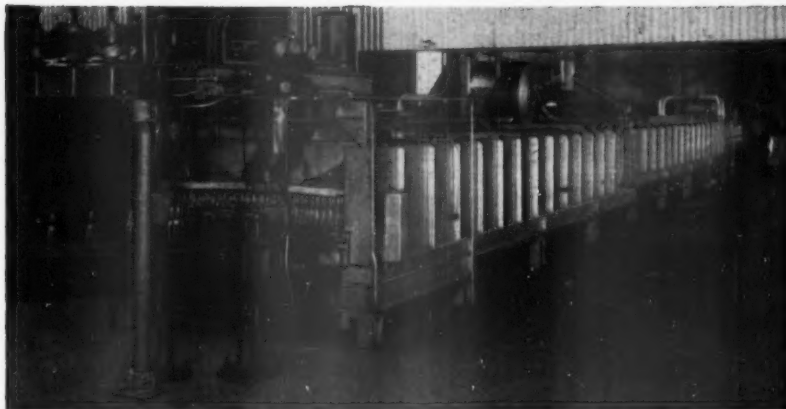
In the Mar. 14 issue of BUSINESS WEEK there appeared an article on Edward J. Noble. . . . On page 92, reference is made to the fact that in 1928 Drugs, Inc., bought Life Savers Co. Then follows the statement that Drugs, Inc. was in turn liquidated five years later under government order. The article makes reference to the fact that Vick Chemical Co. was one of the companies that formed a part of Drugs, Inc.

I wish to call your attention to the fact that Drug, Inc. was not liquidated under government order. The board of directors of that corporation voluntarily agreed that it would be advisable to separate out the constituent companies and liquidate Drug, Inc. This was done without any compulsion by any government order. . . .

SHERWOOD E. SILLIMAN

SECRETARY
VICK CHEMICAL CO.
NEW YORK, N. Y.

Letters should be addressed to Readers Report Editor, BUSINESS WEEK, 330 West 42nd Street, New York 36, N. Y.



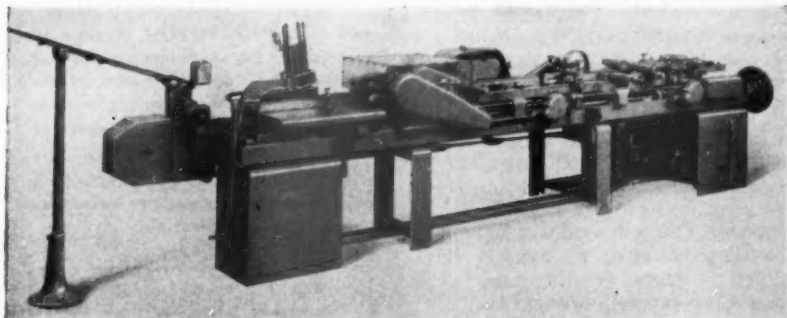
BETTER ANNEALING MEANS BETTER GLASS — Removing the strains developed during the bottle-forming operation requires carefully balanced reheating and cooling. Hartford-Empire annealing and decorating lehrs provide this exacting temperature control.



ASSEMBLY OPERATIONS FOR NOTHING — By making it practical to combine many operations into a single progressive sequence, the Henry & Wright Dieing Machine eliminates numerous cost factors in the production of stamped metal parts, including separate assembly operations.



SAFE HANDS CUT COSTS — Feed-O-Matic does the hazardous job of feeding parts into a die in tricky secondary punch press operations. Operator's hands are always safe. V & O Feed-O-Matic's mechanical pick-up and transfer boosts human and machine productivity rates by phenomenal percentages.








PACKAGE AS EFFICIENTLY AS YOU PRODUCE — Standard-Knapp packaging machines are designed to put your present and future packaging operations on the same high plane of efficiency as the most advanced manufacturing equipment. The above machine sets up carton, inserts rolls of film and then folds flaps into place.

Only the best is good enough

NEW LITERATURE

Check any product information you want and mail this coupon to any Emhart unit listed below. . .

- ☐  **STANDARD-KNAPP**
Division of
Emhart Mfg. Co.
PORTLAND, CONN.
- ☐  **HARTFORD-EMPIRE CO.**
Division of
Emhart Mfg. Co.
HARTFORD 2, CONN.
- ☐  **PLAX CORPORATION**
Subsidiary of
Emhart Mfg. Co.
WEST HARTFORD, CONN.
- ☐  **THE V & O PRESS CO.**
Division of
Emhart Mfg. Co.
400 Union Turnpike
HUDSON, NEW YORK
- ☐  **HENRY & WRIGHT**
Division of
Emhart Mfg. Co.
510 Windsor Street
HARTFORD 5, CONN.

GENERAL

- ☐ Pictorial Review of Major Emhart Products

GLASS

- ☐ Batch Chargers
- ☐ Forming Machines
- ☐ Feeders
- ☐ Lehr Loaders
- ☐ Annealing and Decorating Lehrs

PLASTICS

- ☐ Plastic Bottles
- ☐ Extrusions
- ☐ Carboy Data Sheet

PACKAGING MACHINES

- ☐ Unloaders
- ☐ Packers
- ☐ Rinsers
- ☐ Labelers
- ☐ Cartoners
- ☐ Case Cleaners
- ☐ Gluers & Sealers
- ☐ Palletizers & De-palletizers

METAL WORKING

- ☐ Henry & Wright Dieing Machines
- ☐ Henry & Wright "Press Load Calculations"
- ☐ Henry & Wright Case Histories
- ☐ V & O Inclined Presses
- ☐ V & O High Speed Presses
- ☐ V & O Notching Presses
- ☐ V & O Roll and Dial Feeds
- ☐ V & O Feed-O-Matic

NAME _____

TITLE _____

COMPANY _____

ADDRESS _____

CITY & STATE _____

FILLED BINS of plastic squeeze bottles at Plax Corporation, West Hartford, Conn., show continued production expansion. Companies that tried the unbreakable container for one product are re-ordering and adopting it for more products. ICC approval of Plaxpak carboy bottles paves way to wide industrial use of the freeze-proof package.



Squeeze Bottle Success Points Up Emhart Teamwork

Teamwork among the five units forming Emhart Mfg. Co. results in each doing a better job for its customers. Each can draw from the specialized experience of the other four. This interchange of knowledge broadens each unit's understanding of customer needs, which is reflected in timely and realistic product improvement.

Another advantage is that specific problems can be looked at from different vantage points. Customer service is sharpened by a keener insight into overall sales and production requirements. Basic theme behind the Emhart approach is: "By buying something in a given field from a company that has experience in many fields, you benefit from the total experience."

EMHART MFG. CO.

BUSINESS OUTLOOK

BUSINESS WEEK

APR. 11, 1953



Production will roll along, for some time at least, as though a Korean truce meant nothing to the economy.

Schedules are fairly well set (based on past performance and estimates of future demand). For the near term, not much has changed.

Retail sales are the business keystone. They still are good (page 31).

What's more, not much change should show up before midyear—unless price easiness should cause consumers to hold off, waiting for bargains.

The first impact of the truce talks was on speculative markets. The next will be in the nature of a test of business sentiment.

Some of the weaknesses that may have been building below the seemingly unruffled surface will now get a little closer look.

Inventories will come in for much more critical inspection than they have been getting all through this lusty boom.

True, stocks are higher than ever before. But you must relate them to demand for goods. Sales are breaking records, too.

The real danger is that in a boom like the present one, inventories can start overbuilding in practically no time at all.

Production recognizes no sales problem at the moment.

Auto output in the second quarter is ticketed at 1.8-million or more units—up at least 300,000, over the first quarter. It would be the second-best quarter ever—and even 1950 records aren't safe, the way output is going.

TV set production has been running at a rate that exceeds even the most optimistic estimates of the demand this year.

Overproduction, if any, during this quarter will be paid for later on in the year. And even though the general level of inventories does not get out of line, some items already are in over-supply.

Whatever inventory trouble crops up, it is still in the future.

Manufacturers are disposing of their goods as fast as they are made.

According to the Dept. of Commerce, at the beginning of March manufacturers had stocks of \$43.8-billion—little changed from the end of 1952.

But they had to ship a lot of stuff to keep goods from piling up.

Sales in February shot up over \$25-billion—\$1-billion over January and a good \$500-million higher than the previous record in October.

Heavy order files reflect the speedy tempo of industry.

In February, manufacturers booked new orders of \$25-billion (to match the value of shipments)—up from \$24.3-billion the month before.

But that's past history. It will pay to keep an eye on unfilled orders for any signs of softening. Some orders could be canceled.

The yardstick for inventory has to be retail sales.

So far, stores have pushed their volume up steadily. That has prevented any factory problem (in purchased parts and materials, work in process, or finished goods) or gluts at any level of distribution.



Putting Air to work for Sharp & Dohme: Germ-free air is essential. Just "fresh air" won't do in the world's largest plasma plant.

6000 MILES AWAY

PURE AIR FIGHTS BATTLE SHOCK

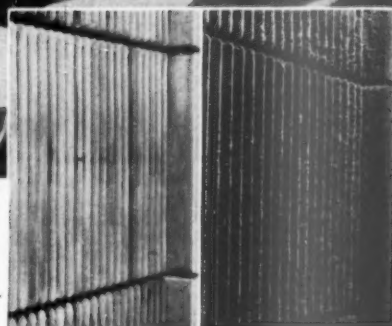
A wounded soldier's life depends on an early transfusion. But whole blood is perishable, and liquid plasma needs special storage. So dried plasma is used because it keeps its life-giving qualities for five years. That's why Sharp & Dohme's blood processing is so important—it accounts for over one third of today's output.

This operation is so delicate that just "fresh air" would contaminate precious plasma. To keep air at its highest purity, Sharp & Dohme uses West-

tinghouse PRECIPITRON®, the electronic air cleaner. Five PRECIPITRON units work 'round the clock to remove dirt and germs.

You can *put air to work*, too. Westinghouse has the equipment to handle it. For data on air cleaning, air handling or air conditioning products, ask for Catalog 600. Call your local Westinghouse-Sturtevant office. It's listed in the Yellow Pages. Westinghouse Electric Corporation, Sturtevant Division, Hyde Park, Boston 36, Mass.

WESTINGHOUSE AIR HANDLING

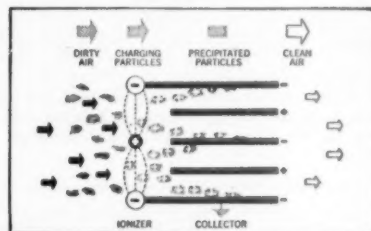


CLEAN PLATES

DIRTY PLATES

Here's How PRECIPITRON Works—All dirt particles in the air stream are charged and attracted to collector plates of the opposite polarity. The above photos show how much dirt is collected in 2½ weeks of cleaning "fresh air".

The PRECIPITRON is the most efficient air cleaner available commercially for removing impurities from normal air.



The Armed Forces need blood. Give a pint today!

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of General Dynamics!



The fields served by General Dynamics Corporation, are unusually diversified.

At Canadair, our aircraft plant, we apply the latest in *aerodynamics* to building transport planes and jet fighters.

We are also specialists in *electrodynamics*, having designed and manufactured electric motors for 73 years.

Our long experience in *hydrodynamics*, applied to the development of the submarine and many types of surface craft, is unique in American industry.

Today, on the exciting threshold of "nucleodynamics", we are pioneering the application of atomic energy to propulsion by building the first two atomic powered submarines.

In the air ... on land ... on and under the sea ... the scope of General Dynamics Corporation is indeed unparalleled.

GENERAL DYNAMICS



DIVISIONS



BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

APR. 11, 1953

But let sales level off, and this picture could change.

Take 1949. Retail volume held about even. But manufacturers had filled warehouses with finished goods that took months to move.

How much higher can—or should—consumer credit go?

At the start of the Easter season, it stood at \$23½-billion—off only \$500-million from its seasonal peak at Christmas.

The normal seasonal washdown would be closer to \$1-billion.

Consumer credit started expanding last April with the removal of Regulation W. Since then consumers have gone \$3.8-billion further into hock.

Don't underestimate the contribution that consumer credit has made to the sales pickup—and the support it has given to production.

More than half of the gain in consumer sales last year was made possible by the large extension in consumer obligations.

Automobile credit has gone up by 39% in the past year. Sale credit of items other than autos has risen by 24%.

The seasonal rise in employment is coming along on schedule

Employment in March went to 61.5-million—1.7-million over last March.

But the work force cannot expand much more than seasonally. Most of the employables are already at work. The labor market is tighter for this time of year than any time since the end of World War II.

The slowdown in employment's rate of rise shows up clearly in income figures. Personal income, after a sharp rise following last summer's steel strike, has shown little change since last December.

Steel output, as anticipated, had no trouble breaking all records in March (BW-Mar.21'53,p18). The month saw 10.1-million tons of ingots poured, compared with 9.9-million in January, the previous top.

A rash of small strikes seems to be impeding output now, however. And reopening of the contract for wage talks is expected next month.

Some acute weakness in London metals this week had U.S. producers wondering how much the softening demand abroad will be reflected here. London tin got 10¢ a lb. below domestic prices.

Keep an eye on the interest rate for call loans—money for speculation in securities. A couple of New York banks upped it this week.

This probably doesn't affect you; chances are you aren't carrying stocks on margin. But it's another straw in the wind on the cost of money.

Banks put money on call when they are momentarily flush. As the name implies, they can have it back on day-to-day notice. So its rate of hire is sensitive—as you may remember from 1929.

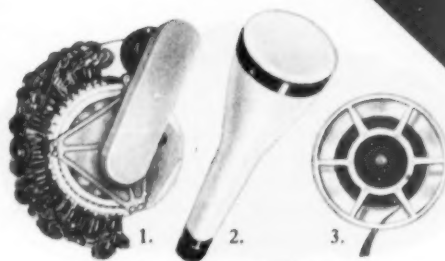


Combining the great storage capacities and speeds of cathode ray tubes, magnetic drums, and magnetic tapes with the tremendous computing speeds of electronic tubes, IBM engineers and scientists have produced in these machines the most flexible and most productive calculating unit ever marketed.

Here is a computer that can add and subtract 16,666 times a second . . . that can multiply and divide 2,192 times a second . . . and can recall factors from storage, or "memory," in as little as 12 millionths of a second.

This momentous advance in electronic computing gives defense industries, for which this computer was especially designed, a tool of vast power and versatility. For peacetime uses, it will be applied to a wide variety of engineering, research, and scientific problems.

The new IBM Electronic Data Processing Machines are the forerunners of data processing machines for business, now under intensive development in IBM laboratories.



3 KINDS OF "MEMORY"

(1) Magnetic drums—any of 81,920 digits* can be stored or recalled in an average of 40/1,000 of a second. (2) Cathode ray tubes—any of 10,240 digits* can be stored or recalled in 12/1,000,000 of a second. (3) Magnetic tapes—any of 2,000,000 digits* can be stored on *one* tape or recalled from it at the rate of 12,500 a second.

**Expressed in terms of equivalent decimal digits.*



INTERNATIONAL BUSINESS MACHINES
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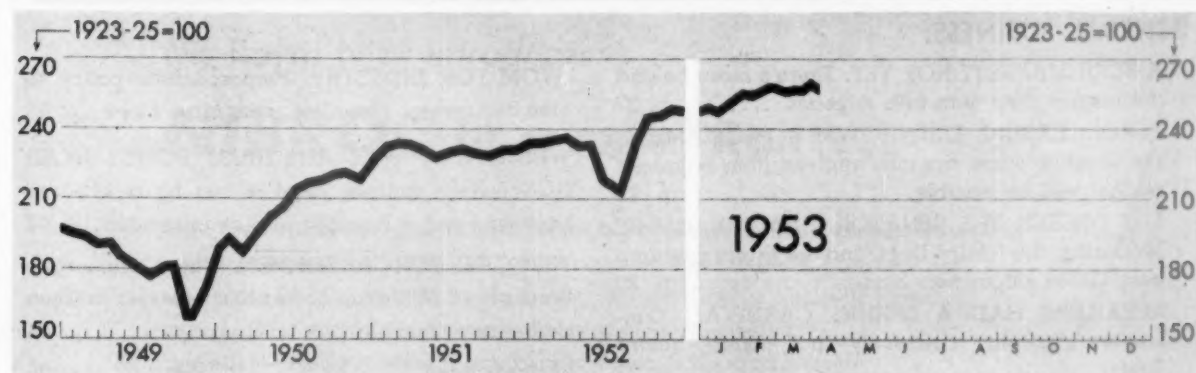
The New
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Industry... Defense

FIGURES OF THE WEEK



Business Week Index (above) *258.8 †261.7 258.2 237.8 173.1

PRODUCTION

Steel ingot production (thousands of tons).....	2,216	†2,190	2,284	1,294	1,281
Production of automobiles and trucks.....	181,855	†181,749	158,825	125,668	62,880
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$49,887	\$52,851	\$43,767	\$45,690	\$17,083
Electric power output (millions of kilowatt-hours).....	8,019	8,075	8,173	7,219	4,238
Crude oil and condensate production (daily av., thousands of bbls.).....	6,341	6,482	6,440	6,377	4,751
Bituminous coal production (daily average, thousands of tons).....	1,367	1,353	1,417	1,639	1,745

TRADE

Carloadings: manufactures, misc., and l.c.l. (daily av., thousands of cars).....	79	77	76	76	82
Carloadings: all other (daily av., thousands of cars).....	40	40	41	44	53
Department store sales (change from same week of preceding year).....	+11%	+16%	+9%	+13%	+30%
Business failures (Dun and Bradstreet, number).....	171	188	180	185	217

PRICES

Spot commodities, daily index (Moody's Dec. 31, 1931 = 100).....	413.6	416.5	418.7	434.6	311.9
Industrial raw materials, daily index (U. S. BLS, 1947-49 = 100).....	89.9	91.6	92.4	104.3	††73.2
Foodstuffs, daily index (U. S. BLS, 1947-49 = 100).....	87.2	87.1	86.4	91.0	††75.4
Finished steel, index (U. S. BLS, 1947-49 = 100).....	130.7	130.7	130.6	124.9	††76.4
Scrap steel composite (Iron Age, ton).....	\$43.92	\$44.25	\$44.08	**\$42.00	\$20.27
Copper (electrolytic, Connecticut Valley, E&MJ, lb.).....	30.245¢	29.770¢	29.630¢	24.500¢	14.045¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.38	\$2.40	\$2.39	\$2.50	\$1.97
Cotton, daily price (middling, ten designated markets, lb.).....	32.91¢	32.94¢	33.38¢	41.72¢	30.56¢
Wool tops (Boston, lb.).....	\$2.10	\$2.10	\$2.10	\$1.85	\$1.51

FINANCE

90 stocks, price index (Standard & Poor's).....	197.5	203.4	205.7	190.3	135.7
Medium grade corporate bond yield (Baa issues, Moody's).....	3.61%	3.59%	3.55%	3.49%	3.05%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	2½%	2½%	2½-2½%	2½%	2½-1%

BANKING (Millions of dollars)

Demand deposit adjusted, reporting member banks.....	51,802	53,275	53,876	††51,853	††45,820
Total loans and investments, reporting member banks.....	76,827	77,808	77,534	††74,025	††72,036
Commercial and agricultural loans, reporting member banks.....	23,269	23,337	22,922	††21,352	††9,299
U. S. gov't guaranteed obligations held, reporting member banks.....	29,547	30,650	31,276	††31,593	††49,879
Total federal reserve credit outstanding.....	25,023	25,387	25,742	23,409	23,883

MONTHLY FIGURES OF THE WEEK

MONTHLY FIGURES OF THE WEEK		Latest Month	Preceding Month	Year Ago	1946 Average
Employment (in millions)	March	61.5	60.9	59.7	55.2
Unemployment (in millions)	March	1.7	1.8	1.8	2.3
Wholesalers' inventories (seasonally adjusted, in millions)	February	\$10,098	\$10,039	\$10,190	\$5,489
Retailers' inventories (seasonally adjusted, in millions)	February	\$21,006	\$20,814	\$20,625	\$9,791
Personal income (seasonally adjusted, in billions)	February	\$280.4	\$280.6	\$263.5	\$177.7
Farm income (seasonally adjusted, in billions)	February	\$19.9	\$21.1	\$20.1	\$18.9

* Preliminary, week ended Apr. 4.
** Basing pt., less broker's fee.

† Revised.
†† Estimate

‡ Date for "Latest Week" on each series on request.



That Low-Price Purr in Outboard Motors!



It comes from *aluminum*! Compare the beauty above with the early model at the left, and you can see what a streamlining job aluminum has done. That early outboard weighed almost 85 pounds. Today's far more powerful and incomparably more efficient successor weighs 42 pounds. And it's almost all Reynolds Aluminum...cylinders and cylinder block, pistons, connecting rods, crankcase, fuel tank, brackets, gear housings.

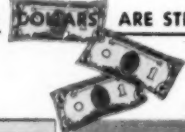
But that's just the beginning. The most important streamlining was done *in price*. Done by aluminum! Because aluminum is the only basic metal that costs no more today than before World War II. Because your dollar is worth 100¢ and more

when you buy Reynolds Aluminum...though the same dollar is only worth 53¢ in overall purchasing power compared to 1936-39.

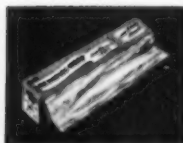
Rustproof, easily workable, Reynolds Aluminum is one good reason why modern outboard motors are priced below today's inflation level. And the competition that Reynolds started is one big reason why aluminum has held the price-line. *Take advantage of it!*

Reynolds Metals Company,
General Sales Office, Louisville 1, Kentucky.

YOUR DOLLARS ARE STILL WORTH 100 CENTS IN ALUMINUM!



REYNOLDS ALUMINUM



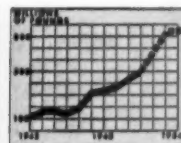
Reynolds Wrap has taught everybody to look for Aluminum!



Aluminum reflective insulation does more at lower cost.



"Liquid Aluminum" is the bright way to protect any surface.



The great expansion decade in Reynolds 34-year history!

SEE "Mister Peepers," starring Wally Cox, Sundays, NBC Television Network.
HEAR "Fibber McGee and Molly," Tuesdays, NBC Radio Network.

ENROLL AS A STUDENT NURSE

His Royal Nibs introduces

NIBROC in a new "Roll"...

Here's an entirely new type of toilet tissue! New Nibroc—different because it's made with a new combination of 100% pure cellulose fibers. Nibroc Tissue has the same unexcelled quality found in famous Nibroc Towels. You will have more satisfied employees, more satisfied customers—women and men alike—when you provide new Nibroc Tissue. It has extraordinary softness, exceptional strength. Economical single ply sheet, available in white or natural. Test these qualities for yourself. Call your local Nibroc distributor for samples and prices, or write Dept. TF-4, Boston.



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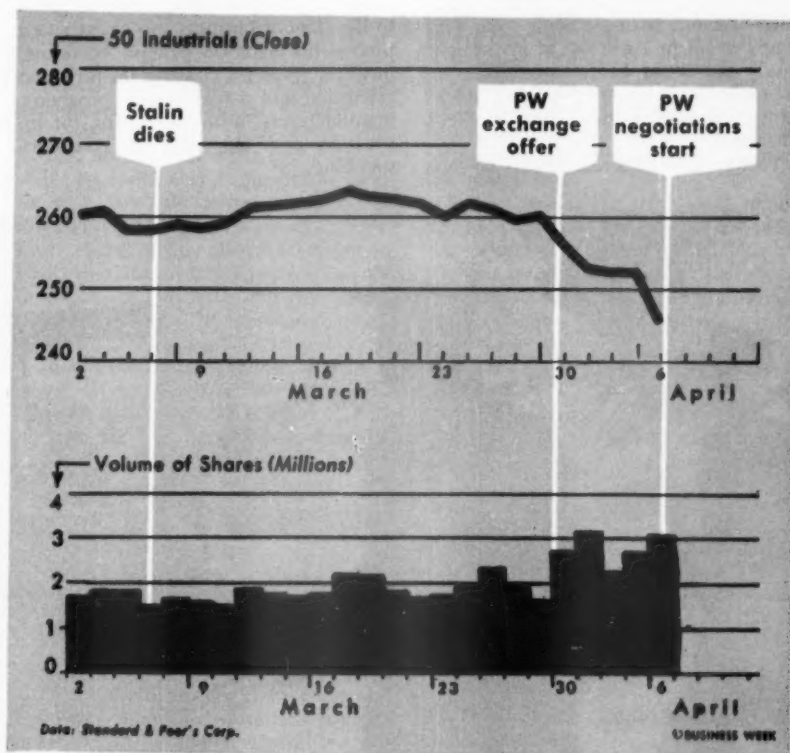
WHAT IT'S ABOUT:

MANAGEMENT'S NEW PROBLEM. Business Week's new department looks at labor's pet objective—the guaranteed annual wage.....p. 96

BUSINESS WEEK

NUMBER 1232

Apr. 11, 1953



A Bear Market? Not Yet

Did you notice the coincidence? The stock market opened this week with its sharpest drop since the outbreak of hostilities in Korea.

First war, then peace. And the market drops on both.

That's a fact—but a pretty superficial fact. Behind it is a world of differences in surrounding circumstances, a plentiful change in psychology, and a sizable page of history.

• **On the Way Up**—Three years ago, business had just climbed out of the 1949 slump. Production was back to a peacetime high, prices were improving in a quiet way, and profits were showing promise of matching the recovery in manufacturing activity. Autos, home building, and plant expansion were sparking a healthy recovery. And everything still pointed higher—without benefit of military spending.

Then came Korea. It wasn't just that hostilities were sure to bring high taxes and controls that would scramble the civilian economy. It was also the war-like Communist pattern. Stocks spilled

sharply before investors had time to sit back and weigh the long-term prospects.

• **On Top**—Today, production is at another new high—20% above the pre-Korea level. Excessive consumer buying and its inflationary effects have worn off. The restraints and controls imposed on business have largely ended, though high taxes still are in force. Inventories are high, unemployment is negligible, money is tight.

Yet our economy has one obvious weakness: A substantial portion of today's output is rearmament. And this rearming has been geared to thwarting the aggression that has marked Communist policy.

That's why Moscow's shift snapped the rising line stock market quotations had been tracing.

• **Uncertain But . . .**—"Peace scare" is the catch phrase for it. If it were a clearly defined, full-scale peace to which the market had to adjust, the process might be straightforward. But it's not. This adjustment is to uncertainty—un-

certainty over what Washington will do as well as to what Moscow is doing.

• **. . . No Panic**—Under the circumstances, investors may draw satisfaction from the fact that this hasn't turned into an outright panic (page 68). There have been periodic waves of buying as well as selling. To be sure, these haven't brought much in the way of a rally, but they at least have brought "resting periods" that helped.

Even so, the breaks that marked the beginning of last week and Monday's session this week were quite enough to shake the rampant bulls. These spills showed the Johnnies-come-lately that Wall Street isn't the one-way road to riches they had been limning.

• **Big Buyers Wary**—For once, the big institutional investors did not send in the usual flood of buying orders on the first sign of weakness. They, in common with everybody else, were uncertain. They called hasty huddles of their experts in efforts to decide whether to buy, sell, or sit tight.

Their decisions, of course, were as secret as they could be kept. But you got an indication that some, at least, must have favored buying. After Monday's 3-million-share day of tumbling prices on the New York Stock Exchange (chart), an avalanche of overnight sell-orders might have resulted. Selling was heavy, but it was just about matched by buying (judged by the stalemate pricewise) as Tuesday's first-hour trading sent the ticker late on 700,000-share volume. By the close that day, prices had been bid up a bit and trading had quieted.

More will be learned about the decisions of institutional investors as time goes on. They have been looked upon for some time as the backbone of the market—a backlog of investment funds we never had before.

The pension funds, certainly, will go on taking in money that needs to be kept working. But they don't have to put it in stocks; the yields on bonds have been sweetened substantially by the latest slump in bond prices (page 52).

• **Testing the Trusts**—What the investment trusts will do is even less clear. People go into them with a view to buying management (and pay a pretty good price for the service). This is a time when management counts—and how highly any given trust is regarded in the future may depend on how well it does in the current situation.

The trusts cannot, of course, shift

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tion thinkers could be wrong about the market declines. Instead of being a brief and panicky reaction to the prospect of peace, the downturn could be ushering in a persistent decline of business activity. Doubts like this have simply been crowded into the background, at least for now.

I. Help for the Budget

An end to shooting in Korea would be, offhand, a \$2-billion windfall for the Administration. That covers what is used up in actual fighting.

If you count everything—troop maintenance, pay allowances, operation of ships and aircraft—the cost of the Far East operation is about \$5-billion a year. But the Administration has no intention of canceling out the whole \$5-billion. Even a runaway, peace-minded Congress isn't likely to do that.

In addition to the expense of keeping troops in the Far East, there'll be the cost of providing South Korea with money for arms and troop training. Chiang Kai-shek needs help on Formosa. Much of the small arms and ammunition that have been used in Korea can be sent to the French in Indo-China. These requirements will hold any saving from a Korean truce down close to the \$2-billion level.

• **Balance?**—Prior to the peace feelers, the Administration was a long way from balancing the budget for fiscal 1954. Treasury Secretary George M. Humphrey practically admitted as much before a Congressional committee this Tuesday.

Budgets for most of the civilian departments already have been submitted to Congress. They spell cuts, so far, of \$433-million—about 10% under the spending plan submitted in January by ex-President Truman.

At that rate, military and foreign aid would have to be reduced \$7.4-billion to meet the estimated revenue of about \$69-billion. And cuts of that size simply are not in the works. Defense Secretary Charles E. Wilson is having trouble finding a way to reduce by \$4.5-billion. The biggest slash Administration spokesmen want to talk about for foreign aid is \$1-billion.

But throw in the \$2-billion that a truce in Korea would save, and balance would all but be in hand.

II. Help for Taxes

With balance "in sight," the Administration's arguments against immediate tax cuts would be knocked out.

Congress would insist on letting the excess-profits tax die on schedule June 30. And Rep. Daniel A. Reed's bill, calling for a 10% cut in personal income taxes July 1, would practically be assured of passage.

• **Outcome**—Chances are that Eisenhower will withdraw, or soften, his objection to immediate tax cuts if the Korean talks move along toward a happy ending. If he doesn't, Congress will grab any excuse to take the tax play away from him.

An end to EPT and adoption of the Reed bill would mean some \$2-billion in tax cuts this year.

• **Business Effect**—If consumers remain in a buying mood and business sticks to its first-of-the-year investment plans, most of this \$2-billion will be turned into the business stream before the year is out.

• That would mean additional spending for consumer goods, and for plant and equipment, roughly equal to what the government will save if the shooting stops in Korea. It's one reason why Administration experts can't see a truce as actually causing—by itself—a major downturn in business.

III. Help against Recession

There's no solid evidence for thinking that business could breeze past a reduction of arms output this year with-



Manpower Mobilizer

James P. Mitchell, vice-president of Bloomingdale Bros., the New York department store, next week will move into the newly created post of Assistant Secretary of the Army, in charge of manpower and reserve forces. Mitchell is nationally known in labor relations and personnel circles for his wartime labor-problems work in the War Dept. and, more recently, as a leading figure in retailing's dealings with unions.

In his new post, he will be a top policy maker on manpower mobilization. He will also head Army public relations and be concerned with the controversy that has raged over segregation policies.

out some wavering of its own. But Eisenhower's advisers want to believe just that. And they do believe it now after a few days of uncertainty.

• **Consumer Question**—They simply see no reason for consumers to zip up their pocketbooks if the shooting ends—though this is just a feeling, as the stoutest optimist in Washington will admit.

The annual survey of consumer buying plans, taken in February, showed consumers were eager to buy—and that is still taken as gospel. From this point on, the cheerful thinking of Administration experts is easy enough to follow.

They think that when a recession does come, it will be ushered in by a falling off of consumer buying—not by anything officials foresee now by way of cuts in government spending, or by a slump in the rate of investment.

• **Business Signs**—This conviction explains why the Dept. of Commerce is making plans to help business do a stronger selling job over the next couple of years (BW-Apr. 4 '53, p153).

Government experts admit that the plans of business to increase investment this year are more sensitive to peace news than the plans of consumers to buy automobiles and refrigerators. Some dropping off from boom investment plans shown in a Commerce Dept. survey in February and March would not surprise the Administration. But again, it expects sustained consumer buying to bolster most of the wavering investors.

• **Inventory**—Some of the boldest among Eisenhower's advisers think the outlook for the rest of 1953 is so strong that the economy could safely handle a contraction of inventories.

Raw materials and goods on hand increased \$8-billion in the last quarter of 1952, and probably about the same in the quarter just ended.

Mostly as a result of this buying spree, price increases have been posted in copper, some industrial chemicals, selected steel products, and building materials. A major drug producer has upped prices on a long list of products.

Reversing this inventory trend would mean living off accumulated stocks for a time. Nobody in the Administration would want to see an inventory adjustment of the size that occurred in 1949, which led into an 18% decline in over-all industrial output. But most economists feel that some softening would readily be absorbed this year by such expanding activities as state and local government projects.

They'd accept an inventory adjustment now—with all its dangers—on the theory that it would not have to be repeated later on, when other factors may be showing weaknesses, too. It's what they mean by making their anti-recession job easier.

out of stocks and into bonds all at once. Their holdings are so big that, if they did, they would push values down at the expense of their own portfolio holdings long before they could get out completely.

They face, in fact, what could be their first real test. The open-end trusts' growth to their present huge size is mainly a postwar phenomenon. They have been aided in the sale of their shares by a rising market—and have, in fact, aided the rise of the market by investing proceeds from the sale of their shares.

To justify investors' confidence, they feel called upon to "do better than the market." And even if they steer a course that may prove wise in the long run, the interim may not be smooth.

They might be called upon to redeem more of their own shares from frightened investors than are being sold. This would result in a net loss of investment funds and could easily cause some involuntary selling of portfolio stocks (thus aggravating the stock market's weakness).

However, Wall Street detects no such

signs so far. And few people have really been hurt up to now by the market's drop; too many investors own their stocks outright, or at least have them protected by deep margins, for that.

• **Business Prospects**—As the surprise wears off, more attention will be given to the state of business and of corporate profits—the rate of defense spending, business plans for carrying on proposed expansion and modernization programs, manufacturers' ideas on buying for inventory, and the rate of consumer spending.



KOREAN NEGOTIATORS BRING HOPES OF . . .

Peace: Easing Eisenhower's Problems

Top thinkers in the Administration have about decided that peace gestures from Russia and China—coming just when they have—are the first real bits of "Eisenhower luck" since the general became President.

Even price slumps on the stock and commodity markets—they think—will turn out to be a break for the Administration. They are convinced these slumps do not mark the beginning of the recession they have long expected—and still do expect.

Here is how they see Eisenhower's traditional good luck at work in the events stemming from Stalin's death:

• If a Korean truce comes and the shooting stops, the resulting savings in defense expenditures will remove any

doubt about balancing the budget.

• This, in turn, will strip away the Administration's only argument against tax cuts this year—giving Eisenhower a chance to ring up a popular political success his first year in office.

• The stock and commodity market shakedown, coming in the midst of generally high-level business activity, will make it all the easier to handle a recession when it comes. Indeed, some of Eisenhower's bolder economic thinkers hope the market tremors will seep into inventory buying—and nip off what might have become a minor speculative boom in some still-scarce materials.

• **Arms Stay**—For public consumption, the Administration is stressing the importance of maintaining a big military

establishment and foreign aid, no matter what comes out of the Korean prisoner-exchange talks.

Eisenhower quickly pointed out we'd have to keep a lot of troops in the Far East, even if the fighting stops. He got a big assist from Sen. Robert A. Taft, who—even after the Korean talks began—said Congress still should not cut taxes this year.

But this kind of talk doesn't hide the hope that peace feelers will last long enough to get the President out of the box he was in on budget balancing and tax cutting.

• **Doubts**—This happy thinking could end overnight, of course.

Truce prospects in Korea could go glimmering once more. Or Administra-



EASTER PARADERS in Chicago (left), in New York (right), and all over the country were dressed to the hilt. That meant . . .

Retailers Had a Spring Carnival

Long before Easter there were indications that Mr. and Mrs. America were planning to splurge even more than usual on their spring wardrobes. And retailers, who just naturally take a major role in promoting such urges, were more than happy with the follow-through.

This week, a BUSINESS WEEK survey of retail stores in major cities showed that pre-Easter sales ran from 5% to 10% above last year's. With prices holding firm, or slightly lower than 1952, these are real, honest gains.

• **Willing to Pay**—One thing that influenced the dollar volume this year was the fact that the customer didn't shy away from medium-to-high-priced merchandise—provided he thought the quality was there. The average shopper was after good values, rather than doubtful bargains. According to one midwestern merchant, "The customer was very selective. She had money, and she'd pay the price, but she made sure she was getting her money's worth." Los Angeles was one of the few cities covered where stores found it necessary to force business.

• **Inventories Good**—Almost as good news to the retailers was the fact that their inventories were in "satisfactory" shape. Most merchants had anticipated a good season, and had stocked accordingly. Some, of course, were caught with overloaded shelves, but even these claim they aren't worried. As one merchant in Columbus, Ohio, put it, "Inventories are high—practically everybody admits that, but practically every-

body claims they're not uncomfortably high—that they're just about right for the volume of business they're doing."

Few are planning drastic cuts or unloading sales, although many retailers said they would follow their annual custom of running post-Easter sales to clear the shelves for summer and fall stock. Almost all are looking forward to continued high sales.

• **What They Bought**—As usual, it was the woman shopper who gave the retailer the biggest hand—but the lion's share of her purchases was for the kids. Almost every store reported that the moppet trade was brisk. But after the kids were outfitted, mother did pretty well for herself. She was more interested this year in suits than in dresses, particularly liked the "topper" (short coat). She preferred high style, such as the straight, narrow skirt, to the old classic shirtmaker dress. Black and white was one of the most popular color combinations. Millinery, always a best seller at this season, did even better than usual.

Apparently, there was even a little of the budget left over for father. Men's apparel did a good, solid business. Syracuse stores reported that men's suits were selling like hot cakes, particularly in the synthetic fabrics lines.

• **Hard Goods Hold Up**—While Easter is traditionally a dead season for hard goods, a surprising number of department stores reported that home furnishings and appliances were moving well. Several merchants took this un-

usual interest in household items as an omen that business will continue to perk along for several more months. Detroit, for instance, reports that furniture is going well now, and a good spring season is foreseen.

One of the Midwest's biggest department stores says that "the most encouraging thing was the broad increase in all lines, that home items such as appliances, housewares, and furniture held up unusually well for this season of the year." And a Worcester (Mass.) store manager who expected a spring slump in television found instead that TV sales had doubled.

Probably because it's relatively new, TV became the whipping boy of several merchants who didn't do quite so well as they had hoped. Houston blamed a rather disappointing Easter season partly on "more TV sets in the Houston area, which kept people at home." A Chicago store attributed slow fabric sales to the fact that "television is dragging more women away from the sewing machine." A Portland (Ore.) store manager says that the installation of the city's first television station has resulted in "enormous TV sales" and much slower trading in soft goods.

• **Hearts and Flowers**—Apparently holiday sentiment—always a boon to the cash register—didn't get lost in the stampede for Easter finery. One city reported that the telegraphic business was up as much as 8%. Florists did a better-than-average business. And in Portland, Ore., candy sales topped last year's Easter sales by almost 18%.

The Greeks, the Senator, and the Slump

What with Sen. McCarthy, the Justice Dept., and the slump in shipping, Greek shipowners are keeping busy.

Observers of the U.S. shipping scene this week were watching three seemingly unrelated lines of development:

- **Administration officials** were quarreling over protocol with Sen. Joseph R. McCarthy, who had independently accepted a pledge from Greek shipowners to break off trade with Communist China.

- The U.S. government was busy seizing some \$100-million worth of war-surplus tankers that, according to the Dept. of Justice, may have been sold illegally to foreign interests.

- U.S. merchant shipping, in general, was in the doldrums.

These three bits of news, at first glance, seem to be connected only in that they all involve ships. Actually, they're tied together by an intricate network of motives and counter-motives—fogged heavily with secrecy. As one close observer puts it, "it's like a crossword puzzle where the words are all in code."

- **Citizens Only**—Start, for instance, with the war-surplus tankers. The 1946 law under which they were sold gave heavy preference to buyers who were American citizens. To get around that stipulation, foreign interests—among them Greek shipowners—set up or negotiated with U.S.-controlled companies. The companies bought surplus ships. The foreign interests then, by various methods, acquired the ships third-hand.

That may not have been in direct violation of the 1946 law. But, says the Justice Dept., it did violate the Shipping Act of 1916. That act says that no ship can be transferred to an alien without specific approval of the Maritime Commission (now the Maritime Administration). The penalty for violation is forfeiture of the ship.

Involved in the case are 49 tankers. To date, the government has seized 13 as they sailed into U.S. ports. Six belong to North American Shipping & Trading Co., five to U.S. Petroleum Carriers, and two to the United Tankers Group. North American and U.S. Petroleum, says the Justice Dept., are controlled by Greek interests dominated by three Greek shipping magnates: Stavros Livanos and his sons-in-law, Aristotle Socrates Onasses and Stavros Niarchos. The tankers belonging to United Tankers, Justice Dept. says, were bought largely with Chinese money.

- **The Greeks**—Livanos, Onasses, and Niarchos belong to a group of Greek

shipowners who, collectively, have been called the biggest single power in world shipping. They have also been called the most mysterious.

Niarchos (BW-Mar.29'52,p128) is typical. A spokesman said last year that Niarchos had personally launched more ships since the war than any other person or country. His lawyer added, for the benefit of a Senate committee, that only four countries (among them the U.S.) can claim more tanker tonnage than Niarchos. He maintains offices and bases all over the world—spotting each operation in the country whose legal and economic setup will favor it the most.

Yet despite the huge size and scope of his business, he himself is practically unknown. Pictures of him don't seem to exist. He's not listed in Who's Who. Close associates here disagree as to where he was born and how old he is. There's even disagreement as to where he lives.

- **Showdown**—Niarchos, and men like him—seemingly without countries of their own—are now heading for trouble with the U.S. government. What's their view of the situation?

As they see it, they're on firm ground legally. They say they can prove that they haven't broken any laws. And they're anxious for a showdown.

For that reason, some observers say, they're deliberately sailing their surplus tankers into U.S. ports, so that the ships can be seized and so that the whole matter can be settled as soon as possible. Why did they pick this time to do it? Perhaps, observers reason, because U.S. shipping is in the doldrums. Many ships are idle. Better to have the tankers impounded now, the Greeks may reason, instead of at some future time when shipping is picking up.

- **Slow Times**—U.S. shipping has been falling off ever since May of last year. The American Merchant Marine Institute refers to the situation now as an outright depression. Behind it are two factors:

- The Korean war has been slowing down. Merchant ships that had been pressed into Korean service are now back in U.S. waters, either laid up or scrabbling for what trade they can get.

- European shipping, which was in bad shape for years after World War II, is picking up. That means severe competition for U.S. shippers. Few countries have labor laws and technical requirements as stiff as those of the U.S.

Basic monthly pay for an American seaman, says AMMI, is \$262.89. For a British seaman, it's only \$61.50. A 60-day trip to the Mediterranean for a U.S. Liberty ship would cost about \$30,000 more than for the average foreign-flag Liberty ship.

These factors have dealt a hard blow to American merchantmen. In the early months of the Korean war, shippers were charging \$30 to \$40 a ton to haul coal from New York to France. Now, the rate is about \$10 a ton. Ship charter rates are down drastically, too.

- **McCarthy**—How do McCarthy and his deal with the Greek shipowners tie into this picture? To understand that, you have to go back to 1946, when the government was beginning to get rid of its surplus ships.

The idea behind the law giving preference to American citizens was partly this: The government wanted to be sure that, in case of a new war or national emergency, these ships would be available to the U.S. rather than to a foreign country. For that reason, the government preferred to see U.S. citizens get the ships.

As some observers see it, the Greeks are now trying to prove to the government that they are loyal to the U.S. cause—even though they aren't U.S. citizens. If they can prove that, they may find it easier to hang onto their surplus tankers.

The deal with McCarthy, whereby they promise not to trade with China, gives them a chance to show their loyalty. Altogether, McCarthy got pledges from Greek owners of 242 ships. Onasses and Niarchos were not involved in the agreement, but Livanos was—to the tune of 36 ships.

- **Protocol**—The Administration agrees with the spirit of McCarthy's dealings with the Greeks, but it doesn't agree with his methods. Washington officials say that the executive branch of the government had made a similar deal with the Greek government about a week before McCarthy announced his deal with the individual shipowners.

Mutual Security Director Harold E. Stassen charged that McCarthy's negotiations were actually harmful. "You are in effect undermining . . . our objective," said Stassen.

President Eisenhower was less harsh. It was his understanding that McCarthy hadn't actually negotiated with the Greek shipowners. Instead, he said, the shipowners had gone to McCarthy and volunteered their promise not to trade with Communist China. He suggested that maybe Stassen's words were too strong. Perhaps, said the President, Stassen had meant to talk about infringement instead of "undermining."

CASE	WHAT U.S. CHARGES	WHERE IT STANDS
Times Picayune Pub. Co.	Newspaper, advertising monopoly	Supreme Court will decide this term
GE, Westinghouse, others	Monopolizing sale, distribution of incandescent light bulbs, machinery	New Jersey federal judge about to decide
GE, Westinghouse, others	Monopolizing fluorescent lights; restraints on electrical equipment	Awaiting outcome of incandescent case
Du Pont, GM, U.S. Rubber	Controlling markets for tires, autos, chemical products	Defendants presenting case
National Football League	Restricting rights to broadcast, telecast pro football games	Awaiting a decision
Investment bankers (17)	Monopolizing securities business	U. S. completed arguments on charges filed in 1947

CASE	WHAT U.S. CHARGES
Armour, Wilson, Cudahy, Swift	Each should be split into two or more competing companies
Procter & Gamble, Colgate - Palmolive - Peet, Laver Bros., Assn. of American Soap & Glycerine Producers	Monopolizing household soap business
Western Electric, AT&T	Restraining manufacture, distribution, sale of phones, equipment, supplies; U. S. wants to split WE from AT&T, divide WE into three competing companies
Sun Oil Co.	Compelling independent service stations to buy only Sun products through illegal exclusive dealing contracts
Sunbeam Corp., 1,200 wholesale distributors (like case against McKesson & Robbins)	Fixing prices on appliances through illegal resale price control plan
Standard Oil Co. of Calif., six others	Monopolizing oil industry in Pacific states area
International Business Machines Corp.	Preventing growth of business rivals; U. S. wants IBM to give customers option to buy or lease equipment
Film producers, distributors (12)	Conspiring to prevent sale of 16-mm. feature films to TV stations
Insurance Board of Cleveland	Preventing sale of fire insurance by any methods, terms, agents, or conditions not approved by board
Investors Diversified Services, Inc., four subsidiaries	Illegally contracting with insurance companies to tie sale, placement of hazard insurance to making of mortgage loans
National Automotive Parts Assn., 2 individuals, 23 companies	Illegally channeling distribution of automotive parts
Roll Mfrs. Institute (also cases against Logan Co., Bridgboro Steel Foundry & Machine Co., Blaw-Knox Co.)	Illegally restraining manufacture in metals machinery industry
International Boxing Club	Monopolizing (domestic and foreign) pro championship boxing in U. S.

Policy Head Now?

changes in the Sherman and Robinson-Patman acts already are under committee study.

Furthermore, just before the administration changed hands, the Commerce Dept.'s business advisory committee released its study on government antitrust policy. Today it stands pretty much as the businessman's brief on antitrust goals and policy revision, emphasizing out-of-court settlement of almost all cases. Several Eisenhower appointees served on the committee, including its chairman, Robert T. Stevens, now Secretary of the Army, who was then chairman of J. P. Stevens & Co.

• **Bigness**—It seems likely that a comprehensive Republican antitrust policy will be some time in the making. What most businessmen are counting on is an end to the Democratic policy of filing big suits against big business largely on the basis of bigness.

• **Could Be Stopped**—Litigation in some of the big antitrust cases is so near the end that Barnes won't be able to touch them. But by far the majority of cases are under question marks. One of the biggest, the investigation of the major oil companies on operating as a cartel abroad, could be dropped this month. A 90-day delay granted the Eisenhower Administration to permit it to check into national security aspects

of the case will expire Apr. 27.

Barnes could ditch any of the cases that haven't come to trial yet, if he decides to—although in some cases this would be political dynamite.

Even after a case gets under way in court, though, the government can dismiss it with the judge's consent, or both sides could negotiate a consent decree at almost any time. Such a settlement stops the practice that the government objects to and at the same time protects the defendant against use of the evidence in any damage suit by a competing company.

• **Down the Middle**—Barnes' federal appointment caused no qualms in the southern California business community where he is widely known.

The California oil companies that have had most to do with the division say they expect clearer, fairer treatment on antitrust from Barnes. One thing they hope to gain, said one executive, is a hearing on "what a guy has to say"—something the government hasn't always been ready to give in the past.

A native of Wisconsin and a lifelong Republican, Barnes had many opportunities to throw in with the New Deal but never was tempted. He is ambitious. His friends say his goal is the Supreme Court.

Atom for Industry

Proposed new policy to give business the green light to develop the atom faces a lot of opposition

President Eisenhower has agreed upon a new atomic policy that will permit business—if Congress goes along—to develop the atom for making electricity and for other commercial uses (BW—Mar. 15 '53, p94).

Congress will take up the program late this month or early next, first in hearings by the Joint Committee on Atomic Energy, and then by the House and Senate if a bill can be drafted before the summer adjournment.

• **Status**—Chairman W. Sterling Cole of the committee is in general agreement with the program, but opposition will come from men like Sen. John Bricker of Ohio and ex-chairman Bourke Hickenlooper of Iowa. They are heading groups that still feel that the atom must be kept under wraps as long as there is a weapons race on between the U.S. and the Soviet Union. The new program will not be adopted without a fight.

Lewis Strauss, a former Atomic Energy Commission commissioner and now Eisenhower's special adviser on the subject, worked out the new program with the AEC. The program now has the approval of the National Security Council as well as Eisenhower's own O.K.

• **Provisions**—Here are the main points of the new program—amendments needed in the McMahon law to let industry in on the atom:

• Permit private companies to be licensed to obtain uranium in sufficient quantities to produce electricity. Also permission for licensing of private companies to produce fissionable materials.

• Provide for government long-term contracts with industry for purchase of fissionable materials used in making bombs. This way, a company that built an atomic reactor for electricity could sell its byproduct of plutonium to the government, thus reducing production costs.

• Change the law so that private companies' research and development would have some patent protection—though not outright—and provision for sharing of such developments with the rest of industry on a license basis.

Even if Congress does approve this program, the use of atomic power in industry is a long way off. The atomic plant that would produce power anywhere near competitive, costwise, with power from coal, oil, gas, or falling water, hasn't even been designed yet.



Which Way Will Antitrust

Under 20 years of Democratic rule, antitrust policy was to take big whacks at the biggest businesses. A list of the companies in antitrust trouble was almost identical with a Who's Who in American industry.

Now, with the appointment of former Los Angeles County Superior Court Judge Stanley Nelson Barnes to head the Justice Dept.'s Antitrust Division, the Republicans can begin shaping an antitrust policy of their own.

• **Committed**—No one is looking for a four-year antitrust moratorium. The Democrats left a backlog—of about 140 cases—that alone will keep antitrust in the news:

• Just this week in Chicago a suit against the Chicago Mortgage Bankers Corp. charged with unlawfully suppressing competition in the mortgage loan business goes to court.

• Two weeks ago a big case broke in Seattle, charging that three department stores—the Allied Stores Corp., Rhodes Department Stores, and Marshall Field & Co.—conspired with their suppliers to fix retail prices on store merchandise.

• Antitrusters are studying proposals by the Great Atlantic & Pacific Tea Co. to settle by consent decree the famous suit filed in 1949 to split up

A&P's processing and retailing operations.

Other cases are pending against such companies as Bendix Aviation, Celanese Corp., Cement Institute and a group of cement manufacturers, General Mills, Kelsey-Hayes Wheel Co., Morgan Construction Co., Pittsburgh Crushed Steel, Republic Steel, Union Carbide & Carbon Corp., Servel, Inc., and Lee Shubert.

• **The Hot Seat**—Obviously, 52-year-old Barnes, who before his judgeship appointment in 1946 did 20 years of trial work in California for big insurance companies and other corporations, is taking over one of the hot spots on the Eisenhower team. The Democrats always believed their antitrust policy was a political asset—and they're waiting to see if they can make political capital out of any easing off in antitrust prosecution.

• **Policy**—Basically, Barnes has to decide two things: (1) what to do with the backlog of cases already on the books, mute evidence of the Democratic crusade, and (2) what kind of an antitrust policy to follow from here on out.

Barnes may get some ideas from the outside on the second problem. For one thing, Congress has scheduled an investigation of the antitrust laws, and several bills recommending substantial

KEEPING MEN IN A SAFE AT NIGHT?

(somehow the whole thing doesn't seem right) by Mr. Friendly



"**S**UCH VALUABLE WORKERS!" the tycoon cried,
 "I keep 'em safe at night inside...
 Next day they're all as good as new,
 It keeps them out of mischief too!"
 "You'd think they'd show some gratitude,
 Instead observe their attitude!"
 Said Mr. Friendly, "I can see
 They're not exactly filled with glee,
 But I suggest a better way *
 To help protect them night and day."

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COMMERCE SECRETARY Weeks stirred a tempest when he fired Dr. A. V. Astin, head of the Bureau of Standards. It's a . . .

Test Case for Career Men

The Eisenhower team, almost from the minute it took office, had trouble with the bureaucrats left behind in staff positions by the Democrats.

The main kind of trouble has been political—that is, getting Republican aides in to replace Democrats entrenched in their jobs with the help of law and government regulations.

Probably the hottest squabble is the one Secretary of Commerce Weeks has on his hands: the firing of Dr. Allen V. Astin, director of the National Bureau of Standards.

• **Borderline**—The Astin case is a borderline affair that can go either way—a technical agency run on a nonpolitical basis by a supposedly nonpolitical administrator. Other agencies around town present about the same question as the National Bureau of Standards.

For instance, the Food & Drug Administration is also headed by a career man who came to the top of the agency under the Democrats—Charles W. Crawford. Before the Astin case blew up, many food and cosmetic makers asked Oveta Culp Hobby, secretary of the new Dept. of Health, Education, and Welfare, not to replace Crawford. They said plainly they didn't want politics in the regulation done by the food and drug law enforcers. But since Weeks fired Astin, everyone is clamming up at Food & Drug. They're not sure now whether their head man hasn't become vulnerable.

• **CAA Squabble**—More typical is Weeks' experience with another of his agencies, the Civil Aeronautics Admin-

istration. The agency interprets the policies laid down by the Civil Aeronautics Board and does the actual policing of the airlines and airports. There Charles F. Horne resigned when the Republicans came in, and Weeks named the Deputy Administrator, Fred B. Lee—a lifelong Republican—to the top job.

After Lee's nomination went up, Senate friends of another CAA employee went to work—so Lee's confirmation has been held up. Chances are Lee will get the job, but only after another hassle over hiring the man they want.

• **Complex**—The Astin ouster has a long history involving the maker of a product designed to revive and increase the life of storage batteries, and his history of troubles with Federal Trade Commission, Post Office Dept. and the Bureau of Standards.

Over the years, the bureau has tested various battery additives. It has found them all valueless, including AD-X2, a product made by Jess M. Ritchie, an Oakland (Calif.) small businessman. Major battery makers go along with the bureau, they say that no additive that they have tested is any good.

But Ritchie presents a very strong case for AD-X2. He has been selling the product for five years, with many satisfied customers including Weeks' United-Carr Fasteners Corp. A research report at Massachusetts Institute of Technology found that the product worked. Ritchie claims that NBS made inadequate tests of AD-X2; Weeks says

the bureau was neither scientific nor objective in its approach to the product.

• **Reaction**—One thing is certain: The manner in which Astin was fired, and the reasons cited by Weeks, have aroused unexpectedly mushrooming opposition. Washington editorial writers are belaboring Weeks; scientists in and out of government are pressuring for an investigation of the whole business.

Some Senators who have looked into the affair claim Weeks' main motive was to get his own man into the top job. But Weeks told the Senate Small Business Committee that an important cause was his conclusion that the bureau's skirts were not clean in its testing and reporting on battery additives.

• **Shocked**—The firing of Astin and the hint that NBS has doctored its research results came as a shocker to scientists all over the country. They began protesting what they view as the gross hand of politics dictating the results a real scientist should find.

There's no doubt that top U.S. scientists rate NBS as one of the best U.S. research laboratories. During the war it had a major role in developing such weapons as the proximity fuse.

In fact, a "visiting committee" of five top scientists, set up by law, every year reviews the NBS program and makes recommendations for any changes. The last review was made in May of last year. Astin, as well as previous directors, had been in effect chosen by a committee of scientists, who recommend a nominee.

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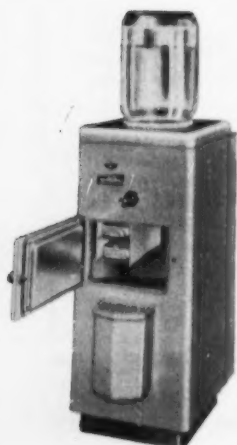
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BUSINESS BRIEFS

The last word: The government ban on using chemical softeners to preserve the freshness of bread is final. This week the Supreme Court refused to reopen hearings to consider new evidence on Atlas Powder Co.'s emulsifier, MYRJ-45 (BW—May 17 '52, p. 32).

Double trouble: U.S. Steel Corp. banked the six blast furnaces at its Youngstown (Ohio) works and McDonald plant this week because of a wildcat strike by 100 employees on the railroad serving the plant. At the same time, the Tennessee Coal & Iron Division of U.S. Steel closed down its Birmingham mines after an unauthorized walkout of 3,000 miners.

A first-quarter sales record of \$33-million was chalked up by Chas. Pfizer & Co., John E. McKeen, president of the century-old chemical-pharmaceutical concern told stockholders. That's \$3-million above the same period last year.

More cutbacks: The J-47 jet engine is so efficient that the Air Force has canceled \$100-million worth of orders at Packard and Studebaker, slashing one-third off planned production. The engines can be operated twice as long without major overhaul as it was originally thought, the Air Force explained.

Safe and sound: The 1952 fatality rate of 0.38 for every 100-million passenger miles on the nation's scheduled domestic airlines was the lowest in the history of commercial aviation, it was announced at the annual meeting of the foundation committee of the Cornell-Guggenheim Aviation Center. It compared with a 1.3 rate in 1951.

Sears, Roebuck stockholders may get a chance to buy about a million new shares of capital stock in the company. The mail-order concern will propose the 10% increase at its annual meeting this month. It hopes to add \$50-million to its working funds that way.

Double vision: Two views on the use of polarizing materials to make glasses for 3-D movie fans are warring in two suits pending in Boston. The first, filed in February, charges Polaroid Corp. with violating two patents issued to Alvin M. Marks and turned over to Depix Corp. of Brooklyn for their exclusive use in making polarized materials for 3-D glasses. This week Polaroid countersued, charging Marks and Depix with infringement of four U.S. patents that it holds.

WASHINGTON OUTLOOK

WASHINGTON
BUREAU
APR. 11, 1953

A BUSINESS WEEK

SERVICE

The consequences of "peace" in Korea now figure in all planning—personal and business. The official assumption in Washington is that this time a deal will be made. An end to the shooting won't bring on anything like an end to all East-West differences. But it will take some of the steam out of the West's rearmament program and thus is bound to have business repercussions.

First, the timing of an agreement. There's no pat answer to be had. But the general feeling here seems to be that the Reds should be given until midsummer to show good faith—wind things up, or fight on.

Now, what will it mean—on spending, taxes, the business outlook—if a settlement does come?

Officials say the arms buildup will go ahead. Their argument is that Korea is only one point of friction—that it won't solve basic issues. Thus, we must go right on building strength in the West.

But odds are on the side of a letdown. Rearmament got its start with the Korean conflict. In Congress, and in much of the public mind, it's Korea, not the underlying issues between the West and the East, that justifies the big spending and high taxes for defense.

The letdown will be gradual, not all of a sudden. Commitments now on the books are huge. Some will be revised downward. But most won't. The change will show in future arms ordering—a tapering down.

Will this touch off a sharp recession? Officials whom we interviewed say "No." That's the answer you would expect. Politics permit no other, as a matter of fact. But some pretty persuasive arguments are offered as to why any post-Korea slide will be moderate and temporary.

Capital investment plans of industry are big. The point made here is that these projects are tied less to the Korean war than to prospects that long-term production demands will be high and that companies with the most efficient equipment will be best able to compete.

Consumer intentions to buy also are high. The customers have money—and seem in a mood to spend, especially when prices are "right."

Government spending will continue high. It's probably at its peak right now—about \$70-billion yearly. That's big. And a Korean "peace" wouldn't shrink it materially for many months to come.

Then, there's the stimulant of lower taxes. The official position right now is that the excess-profits tax, scheduled to expire June 30, and individual income tax rates, which Reed's bill would cut, should be retained at least until yearend. "Peace" would change that. Savings in the budget would about end the deficit and the Administration would go ahead and O.K. mid-year tax relief. That would leave more spending money in the hands of business and individual consumers.

An early business readjustment would be good, so argue some of President Eisenhower's economic thinkers. Their point is simply this:

An easing of the Korean boom is inevitable. Forecasts heretofore have been that the softness would show up late this year, then spread into next year. Politically, that would embarrass. The Congressional elections, off-year,



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WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
APR. 11, 1953

come in 1954. Down-pressures now could take some of the dip out of the predicted slide by keeping the "readjustments" from bunching up. So the recession, when it does come, would be less severe than otherwise.

Why the Russian change? What's happening? You can only make guesses. Cracks in the Iron Curtain still are so small that only inklings get out. But the feeling here in Washington is that Malenkov isn't nearly so strong as Stalin. His rule is contested from within. So, to strengthen himself at home, he wants to reduce the drains from without. As one official put it, a little boost in U. S. S. R. living standards could do much to strengthen the new Red boss. That means taking steel from guns and putting it into such everyday household items as furnaces, refrigerators, and sinks.

Tariff protectionists think they have an edge. Their fight will come on extension of the Reciprocal Trade Agreements law, which Eisenhower wants continued "as is" for another year.

The danger sign on imports is in the Tariff Commission. Eisenhower's latest appointment, ex-Representative Talbott of Conn., fits into the demands for more protection from imports. Talbott is no internationalist.

Strengthening of the "peril point" policy is in prospect. That's the proposal to give the Tariff Commission the absolute say on when an imported product threatens the life of a domestic competitor.

Eisenhower plans a permanent industrial mobilization agency. That's clear in the plans for reorganization of NPA and ODM.

ODM—Office of Defense Mobilization—will be retained. Its functions will be (1) ivory-tower thinking on what the future may demand, and (2) a check on the stockpile of strategic and critical materials.

Wilson's plan to abandon defense base-broadening is his own thinking. So far, he hasn't cleared it with the White House. Neither has he talked it over with officials who would administer the reversed policy. The idea heretofore has been to get as many contractors as possible, to spread out experience and know-how. That's costly, of course, as it holds down output of each producer. Wilson wants to concentrate, where unit costs would be the lowest. That would mean contract cancellations for "secondary" producers. Eisenhower may veto this. Some advisers think he should.

Authority to allocate materials for defense, due to expire June 30, will be extended. There's little or no opposition to this in Congress.

Other controls face tough going, even on a standby basis. Prospects are that authority to put ceilings on wages and prices and to regulate consumer and real estate credit won't be revived after Apr. 30.

Trouble over wage contracts tied to living costs is in the making. Since unions don't want to take the pay cuts that go with lower living costs, they are beginning to push for a "freeze" of wage rates. Steel may give the tip on whether there'll be a rash of strikes. It has no living cost escalator. And if steelworkers get a pay boost this summer, it will be hard for the unions with escalators to stand by their contracts.

MARKETING

Bankers Move In on Charge Credit

● For the banks, handling credit accounts for retailers can be a plus business—from 5% to 8% of the sales slip.

● To the retailer, it's a mixed blessing. It means less bookkeeping, no unpaid bills. Against this is the high cost.

The fuller a man's purse is, the less he seems to want to pay cash. And for better or worse, as the urge to say "Charge it" grows, more and more companies are catering to that urge. The trend is expanding beyond concerns set up to deal mainly with one commodity—Travelers' Club, Diners' Club, and the like. Even the banks are moving into retailing.

Basically, the bank charge account plan is a system whereby a bank handles the credit accounts for a group of merchants who have no credit departments. The bank collects a percentage of the total credit sales for its services.

• **Big Deal**—Nobody knows just how many such plans are now in operation. An unofficial estimate, though, has it that there are 60 banks throughout the country that offer some sort of charge account service.

One thing is sure: The plans are numerous enough to make both retailers and bankers take notice. National Retail Dry Goods Assn. is going into the whole question at the annual meeting of its credit management division to be held in Cleveland in early May. American Bankers Assn. members just gave it a workout at a panel discussion in Chicago.

With total consumer credit at a hefty \$23.5-billion at the end of February, it's easy to understand the interest. Of this total, installment sales credit accounted for nearly \$9.5-billion; charge accounts for another \$4-billion. (Loans and service credit accounted for the other \$10-billion.)

• **Variations**—The plan operated by Franklin National Bank of Franklin Square, Hempstead, N. Y., is typical of the basic operation. Stores that sign up with the bank get application blanks for their customers, whom the bank screens. If the customer's standing is O.K., he gets a credit card which is good at any of the member stores. When he buys an article, the merchant calls the bank to check his credit on any item over \$5, sends the sales check to the bank. The bank enters the amount of the check—less 5%—to the merchant's account. Periodically, the

bank sends a bill to the customer.

Another plan is that of the County Bank & Trust Co., Paterson, N. J., formerly Paterson Savings & Trust Co. (BW—Sep. 23 '50, p. 58). This bank, a pioneer in the field, issues scrip to customers, who use the scrip to pay for goods at member stores. Both Franklin and Paterson banks franchise their system to other banks.

• **Gains**—Retailer members of the charge account plans gain a better competitive position. At the ABA session, James Duncan, First National Bank & Trust Co. of Kalamazoo, reported that merchants who used First National's plan had average sales increases of around 15% to 20%. As against regular credit departments, Duncan pointed out that the stores had no money tied up in unpaid bills, since the bank credits the store immediately.

For the banks, too, the plans can be a clear plus business. Duncan noted that 75% of the people who came to First National through its plan had had bank accounts elsewhere.

• **Pros and Cons**—Nevertheless, bankers and retailers agree that the plan isn't all roses. For one thing, there is some feeling that the 5%—sometimes 8%—discount charged to stores is a high price to pay for the service.

John C. Biggins, vice-president of County Bank & Trust, countered this argument at the ABA panel by citing NRDGA figures on the operating costs of credit services at large department stores. These, he said, ranged from 1.5% to 4.5% of credit sales—and he insisted that department stores don't include all costs in their calculations.

A. L. Trotta, manager of NRDGA's credit management division, makes the point in the March issue of Stores (an NRDGA publication) that a store runs some risk of giving up its "personal hold on the neighborhood customer." It must defer to the bank's judgment on who is to get how much credit.

• **Resources Needed**—Both Arthur Roth, president of Franklin National Bank, and Biggins emphasized that the plan was not for every bank. They warned that any bank considering a

charge account service had a huge educational job on its hands to get customers and merchants to use it properly.

A bank would be lucky to show a profit after two or three years. Roth cited his own experience. In the first experimental months—from June through December, 1951—his operation showed a net profit of \$2,000. In 1952 the bank went after all kinds of retail accounts, wound up with a loss of \$13,194. It hopes to break even in 1953.

To set up a plan, Roth figured, a bank should have at least \$25-million in total resources; it needs a trading area of at least 200,000 population.

Fringe residential areas or suburban shopping centers are the best bets for a successful plan, the panel concluded. In bigger cities, a bank might be on the spot if it directed business to the smaller stores and away from its own big-store clients.

• **Snags**—On top of the other problems a legal complication developed a week or so ago. Franklin National and its Chargeplan Corp., which licenses other banks to use the Franklin system, brought suit against Northwestern National Bank in Philadelphia, Charge Account Credit Corp., Rockville Centre, N. Y., and William J. Boyle, who heads Charge Account Credit, a private company that helps banks set up plans. Franklin National claims that Boyle—who was an officer in Franklin before he set up his own company—was infringing on Chargeplan's rights in using the Chargeplan form. This form is a copyrighted combination of sales ticket and sales draft. Boyle argues that the form is a negotiable instrument and can't be copyrighted.

• **On the Bandwagon**—Meanwhile, companies outside the banking field proper are bidding for the credit business. National Credit Card, Inc., Portland, Ore., issues a credit card to cover everything from hotels to hair dressing establishments. A similar concern is Master Charge, started about a year ago in Los Angeles, which has around 30,000 cardholders, 996 business establishments among its members.

One of the latest comers is Charge System, Inc., in Detroit. Here the labor is split three ways. Charge System organizes the plan for businesses, professional men, and the like. A bank handles the merchant's sales check—or the doctor's bill—and Remington Rand takes care of the monthly billings to the customers.



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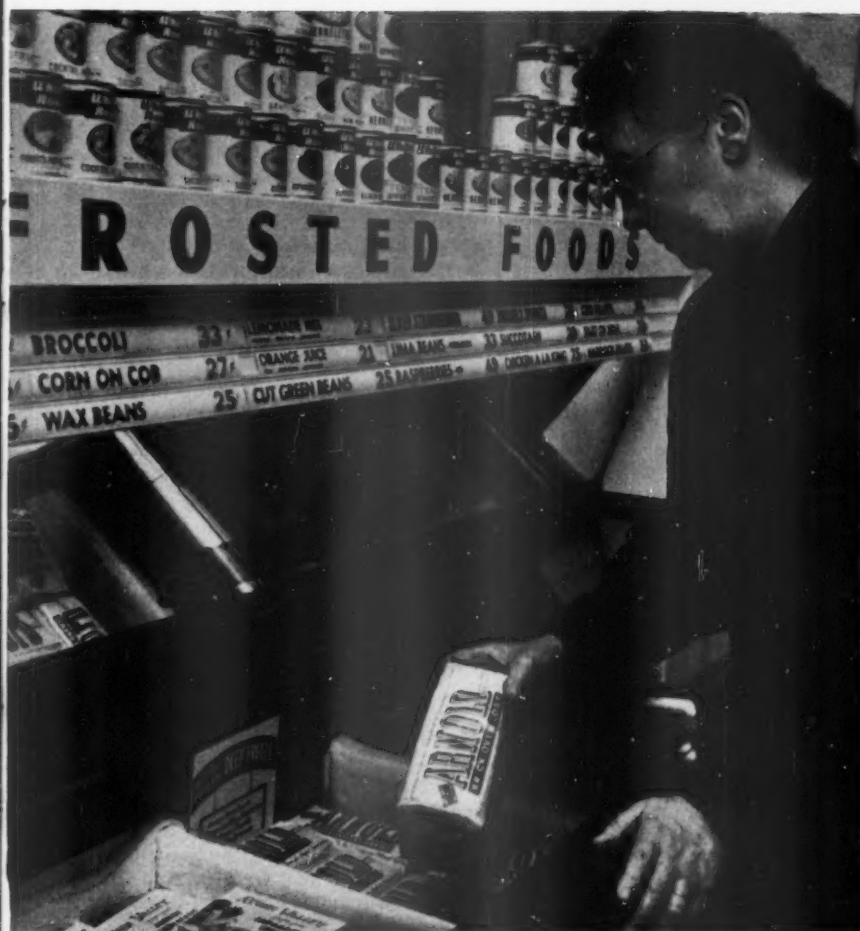
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EATEN IN MIAMI, where a housewife can buy a frozen Arnold loaf—as fresh as when it left New York. When she defrosts the loaf, it tastes like it's only five hours old.

Boon for the Bakers

freezing warehouse. Next it is sold—perhaps weeks later—to subdistributors, route delivery companies, which in turn sell the loaves to retailers. The retailers drop the bread into frozen food display chests. If they are short of freezer space, or if their customers are wary about buying frozen bread, the retailers allow the bread to defrost. Defrosting takes three or four hours.

• **Eaten in Miami**—After the bread has defrosted, it begins what amounts to the fifth hour of its life. This makes it entirely possible for a Miami family to eat the equivalent of five- or six-hour-old bread that has been baked in New York, days—or weeks—before. What's more, this bread will have a longer breadbox life than regular bread: Arnold figures that in areas much closer to New York than Florida, its regular, unfrozen bread often reaches the table from 24 to 48 hours after it has been baked.

• **Boon to Bakers**—Even if the consumer decides he prefers to buy his bread

unfrozen, there are several aspects of distributing bread—frozen—that could affect the entire baking industry. In fact, the word in the industry is that commercial bakers all over the country are watching the Arnold operation with more than casual interest. And here is why:

Stale returns are very costly to bakers, distributors, and consumers. The trade paper, *Baking Industries*, estimates that returns in 1952 reached 4.1% of the breadgoods baked in commercial ovens—that the average wholesaler's fleet of 23 trucks brings back \$42,000 worth of baked goods in a year. The baker who finds a way to cut his loss by an appreciable amount will be able to cut prices or show higher earnings—perhaps both.

• **Unpredictable**—The perishable quality of bread makes it almost impossible for bakers to prepare, economically, for anything but an average market. If there is a surprise jump in demand, many possible sales are lost. If there is



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BAKED IN NEW YORK, bread is ready for wrapping at Arnold Bakers' Port Chester bakery. It's frozen solid less than four hours after baking. Then, maybe weeks later, it's...

Now It's Frozen Bread: a

Nobody wants stale bread, and when loaves go unsold at wholesale or retail level, they travel right up the line of distribution they had come down a few hours before—back to the company that baked them. The cost of this wasted elevator ride is generally swallowed whole by the bakery, and eventually passed on to the consumer in higher bread prices.

Arnold Bakers, Inc., of Port Chester, N. Y., thinks it may have a solution to the stale return problem. This week it announced the start of mass distribution of frozen bread.

• **Warm Reception**—Arnold's scheme is hardly a state secret. For several months it has been shipping refrigerator truckloads of frozen bread and rolls to points as distant as Florida. It has also been test marketing frozen bread in Brooklyn and on Long Island, where Arnold salesmen could watch consumer reaction.

The reaction was so positive that stale returns were virtually eliminated.

That led to the go-ahead decision. From now on, an increasing percentage of Arnold's daily output will be frozen right after it's been baked.

• **Baked in New York**—A typical Arnold operation, say a batch of bread headed for the Miami (Fla.) market, works like this: The bread is conventionally baked and wrapped in Arnold's one plant, which is in Port Chester, just north of New York City. Next the batch is trucked to a freezing warehouse in the Bronx, a few miles away. When it first goes into the -5F freezing room, it has been out of the ovens for only three or four hours. Once frozen, it's stored in the same warehouse at around 5F. And there it may sit freshly baked for weeks, if necessary, until an order is placed on it.

When the order for the batch comes in from Arnold's wholesaler in Florida, a contracting carrier hauls it off in a refrigerator truck. Upon arrival, the bread is transferred to the wholesaler's

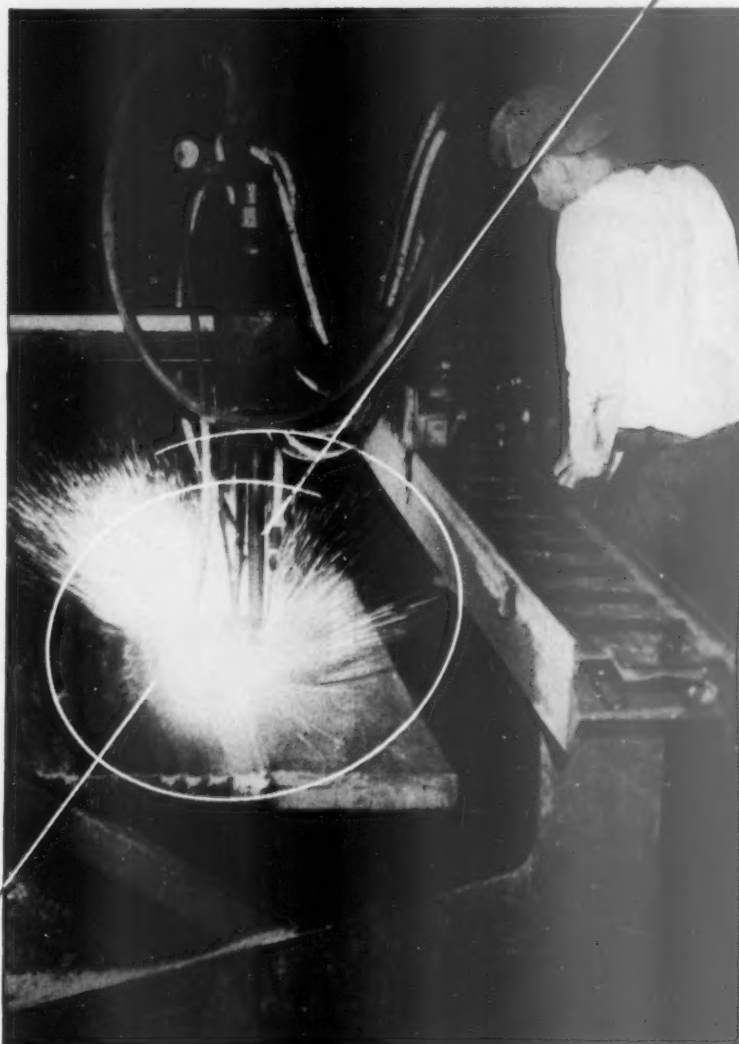
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City _____

"... they figure that fresher bread is a solid sales argument ..."

FROZEN BREAD starts on p. 44

a sudden dip in demand, the stale loaves come home to roost by the truck-load. Of course, an experienced baker usually can anticipate these swings, but there's still no outlet, for example, for a retailer's big stock of bread and rolls when a summer weekend of rain washes out thousands of family picnics.

Arnold figures that the costly effects of such unpredictables would be eliminated if the retailer held part of his stock frozen, and if his immediate supplier held a large inventory frozen, ready to be delivered around the route to meet unusual demands.

• **Savings**—Frozen bread has stirred other ideas in the minds of Arnold executives. Vice-president J. Dudley Calhoun talks about the possible effect of frozen bread on labor costs. Arnold is currently on a costly six-day week. Also, bakers regularly work Sundays and holidays, sometimes nights. Calhoun says that frozen bread could change all that, make baking a five-day, morning and afternoon industry.

Arnold's young traffic manager, William Sorensen, points to another advantage. He says he'll have to ship less often to distant points. The shipments will be larger, and if they're shipped far enough in advance, there'll be no worry about weather or traffic. Furthermore, if retailers hold a frozen inventory, route deliverymen will be able to reduce their number of trips.

• **Slow but Fairly Sure**—Roland Casey, Arnold's sales manager, looks for big new markets when frozen bread really gets going. Without building another plant, he hopes to be able to spread into areas where Arnold is now virtually unknown. He and other officials think there's a good market for a premium bread (Arnold sells for 6¢ a loaf over most commercial breads).

The Arnold officials, however, are well aware that the shift to frozen bread must necessarily be slow. They see two major obstacles. First, freezer or rented freezer space will cost wholesalers and retailers money, so Arnold will have to sell the idea of long-range savings through fewer stale returns and increased volume. Secondly, the housewife will have to be educated to the idea of using frozen bread.

While the people at Arnold know that they are going to have no easy time putting this idea across to the housewives, they are optimistic. They figure that fresher bread, maybe for less money eventually, is a solid sales argument.



Oil Exploration

32nd ANNUAL REPORT

SUNRAY OIL CORPORATION
TULSA, OKLAHOMA



Drilling



Producing



Pipe Lines



Refining & Sales

HIGHLIGHTS OF ACTIVITY, 1952-51

FINANCIAL

	1952	1951
GROSS OPERATING INCOME.....	\$ 127,759,794	\$ 125,720,760
NET INCOME.....	24,724,411	24,282,516
EARNINGS PER SHARE OF COMMON STOCK.....	2.30	2.23
CASH DIVIDENDS DECLARED.....	1.20	1.20
CASH DIVIDENDS (COMMON STOCK).....	11,976,952	11,664,372
CAPITAL EXPENDITURES.....	32,802,765	36,047,891
TOTAL ASSETS.....	\$ 285,246,325	\$ 276,267,505
CURRENT RATIO.....	3.27	3.01

OPERATING

NET OIL PRODUCED, BBLs.....	25,666,137	26,632,469
REFINERY RUNS, BBLs.....	14,506,969	13,555,528
NET GAS PRODUCED, MCF.....	66,601	57,507

THE SUNRAY STORY for 1952 is not told fully in the brief statistics noted above. Mere figures cannot tell the drama of constant exploration for new oil and gas fields from Texas to Canada . . . the rewards that the drilling bit finds under offshore waters along the Gulf Coast, in the swamps of Louisiana, or the remote distances of British Columbia . . . the progress by the refining of oil into its many by-products . . . the progress of the oil industry of America and the progress of SUNRAY in particular. As SUNRAYMEN enter the company's 33rd year of growth and progress—the future challenge is as lively as the past has been successful.

W. C. Whaley
Chairman

W. C. Whaley
President

If you want to know more about us, write for your copy of SUNRAY's 32nd Annual Report on activity in 1952. Write SUNRAY OIL CORPORATION, P. O. Box 2039, Dept. PR-7, Tulsa, Oklahoma.





Low-cost, low-upkeep cabinets of easy-to-use fir plywood meet your exact space needs

DURABILITY, low-upkeep and convenience of custom construction are just a few of the advantages of fir plywood cabinets and fixtures.

Plywood helps you build faster—at lower in-place costs. Large panels speed work, simplify framing. Low cost fir plywood is easy to work with ordinary tools . . . won't chip, split or puncture. Easy to finish, too. It's factory-seasoned, dimensionally stable, true in size. For Basic Plywood Catalog or other data, write Douglas Fir Plywood Association, Tacoma 2, Washington.

Fir Plywood

Industry trademarks are your guide, guard and assurance of DFPA quality-tested plywood

Fir plywood is made in two types: 1. Interior-type for indoor and structural uses; 2. Exterior-type for uses exposed to water or weather. EXT-DFPA on panel edge means 100% waterproof glue. Grades within each type meet exact use needs.

PlyPanel is the versatile "one-side" grade of interior-type. Use it for cabinets, lockers, other indoor jobs where only one side of the panel will be in view.

EXT-DFPA

**INTERIOR FIR PLYWOOD
PLY/PANEL
DFPA INSPECTED**

There's a type and grade of fir plywood for every use



INFRARED COOKING, says Sears, Roebuck, is faster and cleaner. Its new Kenmore range features the industry's first infrared, stovetop heating unit.

Infrared on the Front Burner



COOKING LAMPS are readied for installation at Sears' subsidiary, Newark Stove.

The pot-watching housewife won't have long to wait for the water to boil on this stove, says Sears, Roebuck & Co. It's the new Kenmore electric range that Sears introduced in retail outlets this week. It is radiant heating that brings it to a boil fast—heat of infrared rays from a 1,550-watt lamp that Sears inserted in place of one of the four conventional electric burners.

Infrared heat has been used in broilers for some time, but this is the first time the market has seen a range with an infrared source that you can set a pot on. The extra-tough lamp (left) needed for the purpose was developed by Sylvania Electric Products, Inc.; right now all of these lamps are going to Sears.

The stove will be offered by mail order in June. The price at retail will be \$399.95.

parking meter should take on an advertising function. One of these is the money the city collects for its franchises. This averages \$1 per month per meter in the smaller cities, \$1.50 in larger cities. To sugarcoat the pill for esthetic-minded citizens, about 15% of the space is usually reserved for public-service ads, civic slogans, and the like. More cities have turned down meter ads than have accepted them.

• **Costly Medium**—Advertisers' apathy is explainable on two grounds. First, there aren't enough markets covered yet to give the really big advertisers the kind of coverage they want. Second, the devices are expensive, the plates are expensive (the advertiser pays for these as well as for space rates). City Meter-Ad's rates run from \$900 for a three-month medium display to \$27,000 for a year's display of 1,000 plates.

Most companies promoting meter advertisements have had to struggle to get a device sturdy enough to stand up to the propensity of urchins to twist and break them. Meter-Ad Corp. is pushing its top-of-meter sign holder, has come up with a clamp that it hopes will overcome the aversion of city engineers to drilling holes in meter heads.

MARKETING BRIEFS

Store profits in 1952 were up a shade over 1951's 19-year low, according to the National Retail Dry Goods Assn. Department stores increased final net profits from 2.1% to 2.3% of sales.

• General Electric has announced \$13 to \$15 cuts on its electric blanket line; the twin-bed blanket, for instance, dropped from \$54.95 to \$39.95. The reason: more efficient production methods. At the same time GE boosted light bulb prices an average of 8.8%; its 60-watt bulb went from 14¢ to 16¢. The reason in this case: higher labor and material costs.

• Smaller advertising agencies (billings under \$5-million a year) and their problems were discussed at an open forum held by the League of Advertising Agencies. The question: Can the smaller agency stay in business (BW-Dec.6'52,p43) and grow? The consensus was they can by keeping a number of small or middle-sized accounts that don't run overhead costs too high.

• New York Herald Tribune stepped out in a revamped format this week. Pages are an inch narrower for easier handling (saves paper, too); headlines and captions are shorter for faster reading.



Invisible part in the "watch of railroad accuracy"

Since 1892 the Hamilton Watch Company at Lancaster, Pa. has been producing the "Watch of Railroad Accuracy." Hamilton craftsmen have had to combine millions of parts, each one perfect. The slightest flaw would destroy the accuracy for which Hamilton is famous.

In a sense, U. S. F. & G. has become one of these parts—an invisible part—of each of the millions of Hamilton watches

helping keep America on time. For many years U. S. F. & G. has been providing various bonding and insurance coverages to contribute to the smooth operation of the company.

Whether you produce precision instruments or simply use them; sell goods or services; own your home or business; no matter what you do, there are U.S.F.&G. coverages to meet your need.



Over ten thousand agents . . . there's one in your community. Consult him as you would your doctor or lawyer.

U.S.F. & G.

CASUALTY-FIRE
INSURANCE
FIDELITY-SURETY
BONDS

United States Fidelity & Guaranty Company, Baltimore 3, Md.
Fidelity Insurance Company of Canada, Toronto

Another First from PHILCO



a Sensational New Thermo-Cool

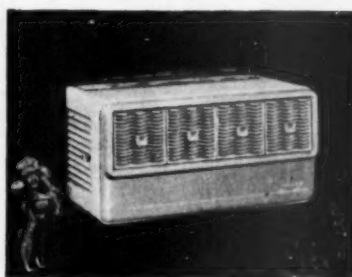
AIR CONDITIONER



...COOLS on Hot Days!
...HEATS on Cool Days!

Again, Philco leadership brings you a sensational development! Here, for 1953, is the new Thermo-Cool Air Conditioner that *cools or heats* the air. Its secret is a reverse cycle system—not mere heating coils of limited wattage. Thus in chilly weather you get more than twice the efficiency of portable electric heaters.

Available with $\frac{1}{4}$ H.P. unit (Philco 86-J) or 1 H.P. (Philco 106-J). Cabinets in Mahogany finish or Arctic Dawn color styling. Five year warranty.



True Automatic Temperature Control

CONSTANT COMFORT—DAY OR NIGHT!



There is a 1953 Air Conditioner for any size room, large or small.

Ask about it before you buy! Far more than a mere thermostatic switch, Philco's system regulates cooling without shutting the unit off. As a result it never overcools the room if outside temperature drops, yet at all times wrings out moisture and circulates the air.

PHILCO ... World's Largest Selling Room
Air Conditioners for 16 Straight Years



ADVERTISING SPACE on parking meters gets a new tryout in Philadelphia.

Parking Meter Ads

Latest medium to catch the adman's eye isn't proving too popular with either city fathers or big advertisers.

Admen, in their eternal hunt for new outdoor media, have for some years eyed the parking meter as a possible way to spread the story of their wares. One of the pioneers in parking meter advertising—City Meter-Ad Corp.—now has a franchise with Philadelphia, is ready to give the medium (picture, above) its first big-city workout.

• **Hurdles**—For the last four years, competition to sell the meter as an advertising medium has been sharp. City Meter-Ad has at least two major competitors—Charles Brown Displays, Inc., and Meter-Ad Corp. of America. They, and others in the field, have found the going rough. In addition to competition among themselves, they have had to hurdle several other obstacles:

• **Opposition** from the city fathers—on the grounds that the meter is a traffic device and should be used for this purpose only; also on the grounds that city property shouldn't be used for advertising purposes.

• **Skepticism** on the part of big advertisers.

• **Vandalism**—and the mechanical problems that it poses.

• **Resistance**—Proponents hold out some luring reasons, however, why the



Serving Commerce Around the World

In Latin America, Europe, the Far East... in every important center of world trade, Bank of America credit facilities serve commerce and industry. You, too, can take advantage of this bank's wealth of experience and extensive on-the-spot facilities. For information, write Bank of America, International Banking Department, 304 Montgomery Street, San Francisco, California.

Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION

• • • • • *Bank of America is a member of the Federal Reserve System and Federal Deposit Insurance Corporation*



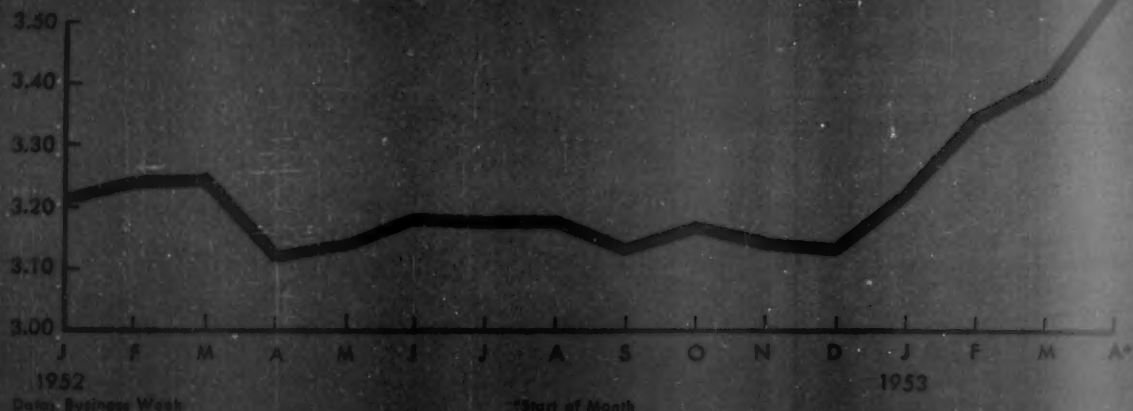
Bank of America has International Banking Departments in San Francisco and Los Angeles. Overseas branches: London, Manila, Tokyo, Yokohama, Kobe, Osaka, Bangkok, Guam. Representatives: Mexico City, Milan, Paris and Zurich. Correspondents throughout the world. Bank of America (International), New York, a wholly owned subsidiary; overseas branch, Duesseldorf.

COPYRIGHT 1963, BANK OF AMERICA

FINANCE

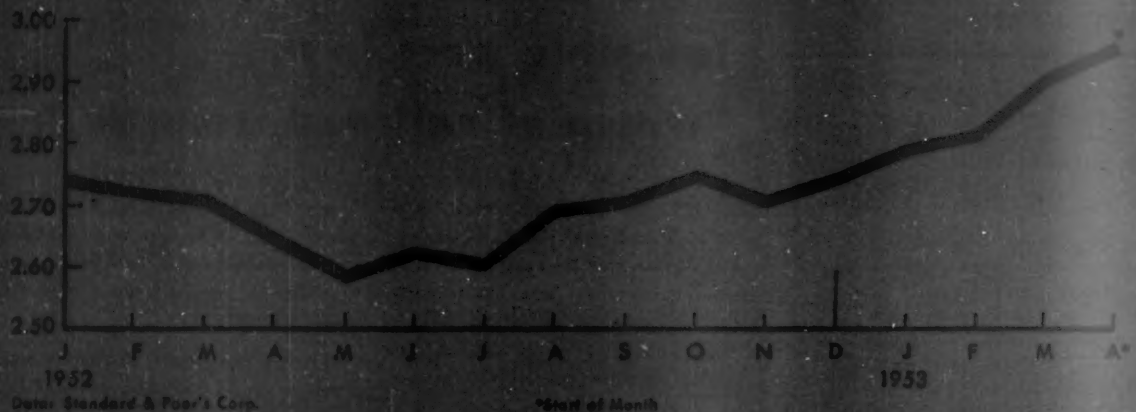
HOW MUCH IS NEW MONEY GOING TO COST YOU?

Percent Average Yield of Corporate High-Grade New Bond Offerings



WATCH GOVERNMENTS: THEY'LL MAKE THE MARKET

Percent Yield on Long-Term U. S. Treasury Bonds



Have Bond Prices Hit Bottom?

Two spectacular fiscal sights greeted investors and corporate officers last week.

- **Nineteen-year 2½% Treasury bonds** were available in the open market at the lowest point in the eight-year history of this particular issue. That's some six points under par, a 2.79% yield basis. Yet there were few takers.

- As prime a credit risk as Allied Chemical & Dye Corp. had to offer investors a return of 3.56% in order to insure successful public sale of \$200-million of 25-year new-money debentures.

Neither sight did anything to ease

the worries of the investors and officers over money market trends. Rather, the developments added to the concern of both groups, though for quite different reasons.

- **The Price**—Here are the questions that had investors scratching their heads:

Is the serious slump in bond prices (BW—Mar. 28 '53, p149) getting close to bottom? Are yields up far enough to justify investing money that has been held out for a long time waiting for attractive levels? Or, is it still too early for aggressive buying? Will yields climb still higher, and prices fall still lower?

- **The Rate**—Corporate financing officials are wrestling with a diametrically opposite set of worries:

Was last week just one more leg, and not the last lap, in the upward climb of money rates? If long-contemplated financing plans aren't consummated now, will it mean that new money needs may force a company into the new issues market later, at a time when it is less attractive? Or is it smarter to wait a while, in the hope of borrowing later at lower interest cost?

- **Enigma**—Both sets of questions were still unanswerable this week. Any claims of inside knowledge should be taken with a grain of salt. "Informed" guesses

FACTS FROM THE 1952 ANNUAL REPORT OF

LION OIL COMPANY

Continuing a Story of Progress—The year 1952 was another successful one for Lion Oil Company despite a decline in net earnings from the previous year. Sales and operating revenues were higher. Construction was begun on two major expansion projects which are expected to increase sales and profits materially when completed.

Petroleum—A refinery extension, begun during 1952, will add new units at a cost of about \$5,000,000. These units, when put into operation in the third quarter of 1953, will permit an increase of 50% in the volume of gasoline manufactured with about the same crude oil thruput.

Search for new reserves of crude oil and natural gas resulted in eight new discoveries. Drilling scheduled for 1953 includes wells on leases in West Texas, Julesburg Basin in Colorado, and Williston Basin in North Dakota, South Dakota and Montana.

Chemical—In May, construction of a chemical plant near New Orleans, Louisiana, was begun. Estimated cost is \$31,000,000. This facility, which is scheduled for completion during the second quarter of 1954, will increase Lion's nitrogen producing capacity slightly more than 50%. This expenditure will bring the Company's investment in the field of petrochemicals about in balance with that of oil operations.

The Company sold 400,000 additional shares of common stock and \$15,000,000 principal amount of Sinking Fund Debentures in May 1952 for a net cash consideration of \$30,127,556. That amount was set aside to finance construction of the new chemical plant.

Earnings and Dividends—Net earnings, which are shown in the condensed earnings statement below, declined principally because of materially higher costs of finding oil, and lower refined oil prices.

Cash dividends at the rate of \$2 per share, aggregating \$5,781,744, were paid during the year. That sum was 56.6% of the net earnings for 1952.



FINANCIAL SUMMARY

	1952	1951
Net Working Capital (Stated)—Dec. 31	\$26,207,331	\$25,517,316
Current Ratio	3.33	3.66
Net Properties (Fixed Assets)	\$74,930,620	\$67,436,908
Total Net Worth—Dec. 31	\$91,739,829	\$72,018,688
Shares of Common Stock Outstanding Dec. 31	3,090,884	2,690,861
Number of Stockholders	16,111	11,791
Total Dividends Paid	\$ 5,781,744	\$4,856,700

OPERATING SUMMARY

Number of Producing Wells (net)	818	795
Gross Crude Oil Production—Barrels	7,713,422	8,011,422
Crude Oil Run to Stills—Barrels	7,931,703	8,271,310
Total Refined Oil Sales—Gallons	368,091,487	377,262,270
Elemental Nitrogen (N) Production—Tons	163,449	155,379
Number of Employees—Dec. 31	2,623	2,497
Annual Payroll	\$12,040,271	\$10,968,405



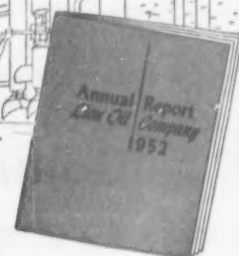
CONDENSED EARNINGS STATEMENT

For Years Ended December 31

	1952		1951	
	Amount	Per Share*	Amount	Per Share**
Sales and Operating Revenues	\$ 88,625,282	\$28.67	\$86,466,609	\$32.13
Operating Charges, Interest, Etc. (Net)	72,082,857	23.32	67,525,583	25.09
Net Income Before Provision for Taxes on Income	16,542,425	5.35	18,941,026	7.04
Estimated Federal and State Taxes on Income	6,331,000	2.05	7,190,000	2.67
Net Income	\$10,211,425	\$ 3.30	\$11,751,026	\$ 4.37

* Based on 3,090,884 shares outstanding at end of 1952

** Based on 2,690,861 shares outstanding at end of 1951



For 1952 Annual Report,
write Public Relations Dept.,
804 Lion Oil Building,
El Dorado, Arkansas

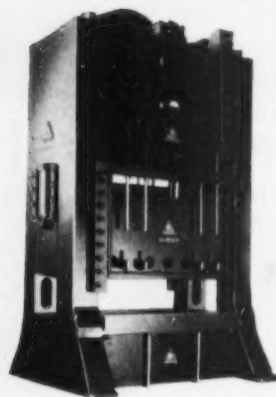


What happened on Wednesday?

Twenty minutes on Monday . . . a half-hour Wednesday morning and the second shift down for an hour the same night. . . A lot of things can happen to a complicated assembly line, but this Wednesday some 200 man-hours were lost because a 60¢ part wasn't coming through fast enough.

The trouble was that the press department had to run schedules too close to the deadline for comfort. Equipment producing near maximum performance left no cushion for delays.

One extra press added to the line — or perhaps a replacement of some units with more productive equipment — will add a comfortable time margin to production schedules and save more dollars of stand-by time than the press costs. You'll find the right answer to problems like this plus the finest engineering attention at Clearing Machine Corporation.



THE WAY TO EFFICIENT MASS PRODUCTION

CLEARING PRESSES

CLEARING MACHINE CORPORATION • 6499 WEST 65TH STREET • CHICAGO 38, ILLINOIS
HAMILTON DIVISION—HAMILTON, OHIO



can be made, but they could easily be just as wrong as any wild stabs by outsiders.

Too much depends on the private thoughts of the U.S. Treasury (BW—Mar.28'53,p80). The Treasury's handling of its own financing problems in the months ahead will pretty much decide what return investors will get on bond purchases, and what corporations will have to pay for both short-term bank loans and long-term public borrowings.

Any economics primer will show the whole structure of the national money rate is built on the yields available from government bonds. When these yields slip or rise appreciably, the shock is felt by every seeker of investment dollars; bank loan rates, municipal and corporate security markets and underwriters, commercial paper markets are all affected.

• **Some Light**—Still, there's one bit of clearing visible in today's cloudy skies. In the next six weeks, two decisions may well remove much of the uncertainty over the scope, and the rates, of some expected near-term Treasury financing.

The first, and more revealing, decision is expected soon, perhaps next week. It concerns a new long-term issue, specially tailored by the Treasury to further its announced policy of shifting the government debt away from short-term obligations. "Inside dope" has it that this offering will comprise \$1.5-billion—or perhaps as much as \$2-billion—of 30-year bonds carrying a 3½% rate. Such an issue would have two purposes:

For one thing, officials hope it would absorb something like \$1-billion, which they figure is being held for satisfactory yields from governments by such institutional investors as the life insurance companies, savings banks, and that fastest-growing investment group of all, the pension funds (BW—Mar.21'53, p128).

Some people figure that the Treasury is over-optimistic. They figure that, with many other borrowers prepared to pay considerably higher rates, it is unlikely that the big investors have as much as \$1-billion earmarked for Treasury paper, even if the yield is "satisfactory."

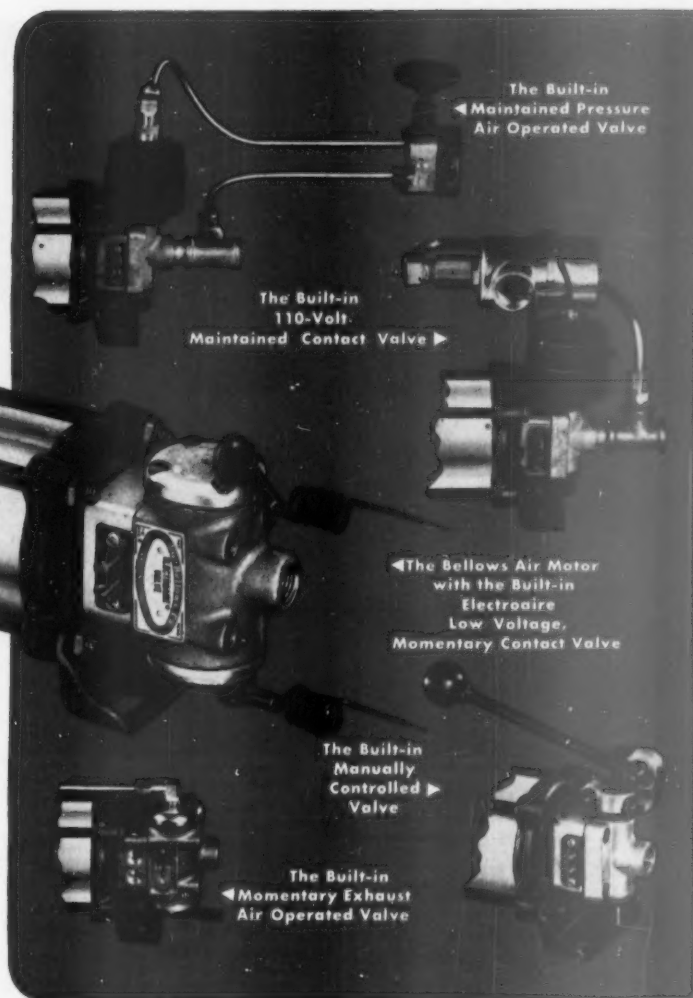
Still, the Treasury didn't pick its \$1-billion figure out of the air. For weeks, its officials have been conferring with the big institutional investors, and with commercial and investment bankers. From these talks came the figure, along with the decisions on the life of the contemplated issue, and the size of its coupon.

• . . . and **Maturities**—The second purpose of the 30-year 3½s would be to attract the holders of the \$1.1-billion of wartime F and G bonds that mature

The Bellows AIR MOTOR



*is now available
with your choice
of built-in valve
arrangements*



IN DESIGNING for pneumatic operation of equipment, the air engineer can now choose the method of valving he prefers — and still have all the advantages of integral valve and cylinder construction.

The Bellows Air Motor — the only air cylinder with an integral valve—proven in over 150,000 installations —is now available with a range of built-in valve controls that offers the engineer every latitude in pneumatic design.

If he prefers to use momentary contact low voltage control, standard or explosion-proof, Bellows has it. If he prefers 110 volt maintained contact for interlock

with established electrical circuits, Bellows has it. If he prefers to control his pneumatic circuits manually, Bellows has it. Or should his designs call for full pneumatically controlled operations, Bellows offers a choice of two control systems.

Basic to all valving arrangements is the time-proven Bellows four-way directional slide valve with its integral controls for regulation of piston rod speed. Basic, too, is the single air connection which may be flexible hose, and which does away with multiple piping. It is in the methods used to shift the directional slide valve that this new flexibility in air control becomes so apparent.

All Bellows Air Motors, with any integral valve control, are available in five bore sizes: 1¼", 1¾", 2½", 3⅝" and 4½" and in stroke lengths up to 48". A wide range of mounting styles further adds to the flexibility of this compact, self-contained power unit.

The Bellows Co.

AKRON 9, OHIO

Bellows "Controlled-Air-Power" for Faster, Safer, Better Production



DOLLARS GO FARTHER WHEN YOU

Reduce Inventory

Free those captive inventory dollars . . . make hose lines right in your plant with Aeroquip Matched Hose and Fittings. An amazingly small supply of bulk stock meets practically all requirements.



Aeroquip
REG. TRADE MARK

FLEXIBLE HOSE LINES with Detachable, Reusable Fittings

MATCHED FOR GUARANTEED PERFORMANCE

AEROQUIP CORPORATION, JACKSON, MICHIGAN

Locomotive sues Truck!



A jury recently awarded \$99,233 to a railroad for damages to one of its Diesel trains caused by a grade crossing collision with a truck. Flames from the truck spread to the train and caused serious damage for which the trucking company was held liable.

This "man bites dog" episode is far from unique. It indicates the need for periodic re-examination of the adequacy of your PROPERTY DAMAGE liability coverage. Limits may be substantially increased at modest cost.

J & H experts can help you with this or any other phase of your business insurance program.

JOHNSON & HIGGINS
INSURANCE BROKERS — AVERAGE ADJUSTERS
Employee Benefit Plan Consultants

63 WALL STREET • NEW YORK 5

New York • Chicago • San Francisco • Los Angeles • Detroit • Cleveland • Philadelphia
Pittsburgh • Buffalo • Seattle • Vancouver • Winnipeg • Montreal • Toronto • Havana

this year. Treasury officials are confident that their proposed issue can capture a good part of that money, and thus save the government from a heavy cash outlay.

• **The Second Decision**—When the dust has settled from the 30-year decision, a second announcement is expected, probably in mid-May. This one will concern the Treasury's plan for soaking up two important maturities the following month: \$5-billion 1½% certificates falling due June 1, and the \$725-million 2% tax-exempt bonds that the Treasury has called for payment June 15.

It is now reported that the Treasury will offer a combination of short-term and intermediate-term issues to sop up the maturities. The offer is expected to follow the lines of the February offering for a large maturing issue of certificates and a five-year, 10-month short-term issue with the interest rate geared to market conditions at the time of issue.

• **Mutable**—There's nothing final at all about either of the "decisions" that have reportedly been made, especially on the 30-year issue. The Secretary of the Treasury, George M. Humphrey, may still rule against it on the grounds that long-term money may be cheaper later in the year. And even if the issue comes through on schedule, its terms may be changed from those reported now. This possibility holds good despite the fact that W. Randolph Burgess—Humphrey's specialist on debt refunding—is favorably disposed toward the present terms.

Generally, the Wall Street bond crowd thinks that the odds favor the appearance of new 30-year 3½% Treasuries, and new 15-year 3s, in the months ahead. So, they reason, outstanding long-term issues may drop a bit further before they hit bottom. Outstanding Victory 2½s might sell at 90% of par, four points or so below their level early this week.

• **Slight Rise**—It is important to bear in mind that Humphrey isn't trying to sweeten government bond yields unduly. What he wants is the right price at the moment—one that would permit the new issue to rise slightly above par—the price at which it was sold originally.

Even if the Treasury does offer 30-year 3½s and 15-year 3s in the next few months, that doesn't mean that subsequent long-term offerings need carry similar terms. Humphrey and Burgess want their financing to go over with a bang, but they aren't going to give anything away. The terms of each offering will be tailored to the market at the time. Both realize that the present furious corporate demand for money won't continue forever. When the chance comes to shave rates, they'd be quick to do it, if it suits their plans.



THOUGHTS at 4 A. M.

It's four o'clock in the morning, and all the world's asleep.

But one man's head shifts upon his pillow. He hears the plaintive whistle of a train in the distance, and the murmur of the wind in the trees. They seem to echo his thoughts.

Thoughts that will not let him sleep.

"What will happen to Janie and the children if anything happens to me? How can I be sure they'll be secure?"

His mind flashes back to the terrifying moment a week ago when a truck shot out of a side road without warning. If he hadn't been able to swerve his car just in the nick of time...what then?

"Am I getting morbid," he wonders, "or just realistic? Anyway, it's time I stopped *thinking* about my family's future and started *doing* something about it!"

What can he do?

There are millions of family men among the 5,500,000 members of The Equitable Life Assurance Society who have faced this same problem. They realize that regardless of inflation or deflation,

war or peace, fire or flood...life insurance is every man's "best buy."

They also realize that the dollars they pay in premiums do more than just provide protection for their families...because these dollars contribute in large measure to the overall security of their country.

While earning interest for the members of The Society, these premium-dollars finance scores of industries, railroads, and homes; help maintain millions of people

on payrolls, contribute to the highest living standards known to man.

Whether you are interested in figures or not, The Equitable's 1952 financial statement testifies to America's faith in life insurance as the basic means of protecting one's family and one's self.

So, to the sleepless man in the picture above we say, "To be sure *your* family will be secure, call your Equitable representative today."

Condensed Statement of Condition as of December 31, 1952

RESOURCES			OBLIGATIONS		
		Per Cent			Per Cent
Bonds and Stocks			Policyholders' Funds		
U. S. Government obligations	\$ 578,532,808	(9.8)	To cover future payments under insurance and annuity contracts in force	\$8,378,532,180	(81.0)
Dominion of Canada obligations	181,102,361	(2.8)	Held on deposit for policyholders and beneficiaries	349,336,379	(3.3)
Public utility bonds	824,100,327	(12.5)	Dividends and annuities left on deposit with the Society at interest	100,143,981	(0.9)
Railroad obligations	578,908,348	(8.8)	Policy claims in process of payment	33,336,306	(0.3)
Industrial obligations	2,026,046,123	(30.8)	Premiums paid in advance by policyholders	88,298,369	(0.8)
Other bonds	237,898,549	(3.6)	Dividends due and unpaid to policyholders	7,289,603	(0.1)
Preferred and guaranteed stocks	110,807,348	(1.7)	Allocated as dividends for distribution during 1953	80,481,008	(0.7)
Common stocks	10,648,337	(0.2)	Other Liabilities		
Mortgages and Real Estate			Taxes—federal, state and other	23,990,000	(0.2)
Residential and business mtges.	1,183,809,586	(17.5)	Expenses accrued, unearned interest and other obligations	12,982,044	(0.1)
Farm mortgages	226,032,496	(3.4)	Security valuation reserve	30,579,957	(0.3)
Home & branch office buildings	11,401,291	(0.2)	Surplus Funds		
Housing developments and other real estate	178,068,267	(2.7)	To cover all contingencies	398,224,460	(3.8)
Other Assets			Total	\$8,871,694,494	(100.0)
Cash	88,838,680	(1.3)			
Transportation equipment	109,802,039	(1.7)			
Loans to policyholders	187,881,836	(2.8)			
Premiums in process of collection	81,681,972	(1.2)			
Interest and rentals due and accrued and other assets	54,604,742	(0.8)			
Total	\$8,871,694,494	(100.0)			

*Including \$8,855,866 on deposit with public authorities.
In accordance with requirements of law all bonds subject to amortization are stated at their amortized value and all other bonds and stocks are valued at the market quotations on December 31, 1952, as prescribed by the National Association of Insurance Commissioners. In addition, as required, a security valuation reserve is included among the liabilities.

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TRAVELETTER

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	Sales (in Millions)		Change 1953 vs. 1952	Net Profits (in Thousands)		Change 1953 vs. 1952	Profit Margin	
	1953	1952		1953	1952		1953	1952
AIRCRAFT								
Consolidated Value (B).....	\$ 96.6	\$96.6	+11.5%	\$1,761	\$1,436	+20.0%	4.0%	3.5%
Byron Aeronautical (B).....	9.9	6.0	+65.0	381	166	+123.3	13.5	6.6
AUTO PARTS								
Continental Motors (B).....	NA	NA	—	1,623	1,349	+20.3	—	—
Dana Corp. (A).....	81.1	41.8	+22.2	3,908	3,220	+21.2	15.5	18.2
Gold-National Batteries (B).....	12.8	13.8	-12.9	506	717	-29.2	9.2	11.4
Kelsey-Hayes Wheel (A).....	31.8	23.6	+34.7	877	1,176	-25.4	7.7	9.8
McCord Corp. (A).....	9.4	8.8	+6.8	317	425	-25.1	7.1	8.6
Murray Corp. (A).....	24.1	14.1	+70.9	402	641	-6.1	5.2	6.8
BUILDING MATERIALS								
Calotex Corp. (B).....	13.2	11.4	+13.8	303	317	+30.7	9.8	9.2
Masonite Corp. (A).....	10.7	10.5	+1.9	599	914	-34.9	5.6	8.7
C. F. Russell Co. (B).....	5.9	4.1	+43.9	483	407	+19.2	8.2	9.9
BUSINESS MACHINES								
Addressograph-Multigraph (B).....	14.6	15.9	-6.9	972	1,097	-11.4	13.7	14.0
Royal Typewriter (B).....	18.1	16.0	+12.1	692	699	+0.3	7.9	9.1
COMMODITIES								
Froadert Corp. (B).....	6.3	6.4	-1.6	170	429	-60.4	4.6	16.4
Spencer Kellogg & Sons (A).....	24.7	22.6	+9.3	2153	266	—	21.3	1.6
Wesson Oil & Snowdrift (A).....	80.3	48.3	+3.9	1,191	854	+39.5	5.1	3.8
ELECTRICAL SUPPLIES								
Aves Mfg. (A).....	116.7	65.3	+78.2	2,860	1,688	+51.8	6.0	6.2
Hallcrafters Co. (A).....	13.3	9.6	+28.5	297	210	+41.4	9.2	9.2
Bayhnan Mfg. (A).....	51.2	26.7	+91.8	1,355	408	+232.1	8.1	4.3
Bobbins & Myers (A).....	7.3	6.1	+19.7	263	323	-18.6	11.4	14.6
Seeger Refrigerator (A).....	29.3	19.5	+50.3	1,278	1,273	+0.4	11.1	12.8
MACHINERY								
Chain Belt (B).....	8.9	9.8	-9.2	503	510	-2.9	12.7	15.9
Gor Wood Industries (B).....	15.0	11.7	+28.2	280	396	-29.3	6.0	8.1
MERCHANDISING								
Diana Stores (B).....	8.8	6.0	+46.7	358	291	+23.0	6.9	8.4
Grayson-Robinson Stores (B).....	NA	NA	—	524	671	-20.4	—	—
Rice-Six, Inc. (A).....	12.9	10.7	+20.6	224	165	+35.8	9.7	9.5
Sraggs-Vanderweert-Barney (B).....	18.6	18.4	+1.1	739	680	+8.7	8.3	7.6
PAPER								
Crown Zellerbach (B).....	61.9	61.7	+0.3	5,203	5,902	-11.9	17.0	23.0
Marathon Corp. (B).....	19.9	20.0	-0.5	1,031	1,905	-45.9	5.2	9.5
United Board & Carton (A).....	NA	NA	—	139	145	-10.4	—	—
TEXTILES								
Consolidated Textile (A).....	NA	NA	—	253	219	+15.3	—	—
J. P. Stevens & Co. (B).....	83.9	87.3	-3.9	2,281	2,970	-23.2	5.6	7.0
West Point Mfg. (A).....	68.3	57.4	+19.0	3,509	3,219	+9.0	9.1	9.6
Wyandotte Worsted (A).....	NA	NA	—	67	164	-59.2	—	—
TIRES								
Firestone Tire & Rubber (B).....	229.3	224.1	+4.1	9,011	9,316	-3.3	9.6	10.7
Goodyear Tire & Rubber (B).....	10.3	11.2	-8.0	394	530	-25.7	8.7	10.5
MISCELLANEOUS								
Buffalo-Slipcase Corp. (B).....	6.7	7.2	-7.0	368	423	-13.0	13.7	17.9
Duane & Co. (B).....	81.8	104.1	-22.9	4,282	7,611	-43.7	14.1	22.4
Dresser Industries (B).....	28.7	29.7	-3.4	665	1,389	-52.1	4.4	11.4
Engle-Pickar (A).....	23.3	18.9	+22.8	633	693	-8.7	6.9	8.8
Hooker Electrochemical (A).....	NA	NA	—	838	733	+14.3	—	—
F. E. Myers & Bro. (B).....	NA	NA	—	167	240	-30.4	—	—
Moulton Bros. (A).....	NA	NA	—	823	687	+19.7	—	—
Packbody Coal (B).....	12.9	15.2	-15.1	413	451	-36.7	4.4	5.8
Taylor Instrument (B).....	NA	NA	—	44	317	-86.1	—	—

A. Quarter ending in February. B. Quarter ending in January. # Per cent of pretax profit to sales. * Per cent of profit after taxes to sales.

First-Quarter Profits: Mixed

What happened to corporate profits in the first quarter?

It's still too early to know; March quarterly earnings reports haven't yet started to appear. But you may get a hint from another source: the earnings statements of companies whose quarters happen to end Feb. 28 or Jan. 31.

• **Hint**—The trend that group has revealed is spotty—with one important exception.

As you can see in the sampling above, sales of many ran above a year ago—some sharply higher—while others were lower. Net profits of quite a few likewise showed gains over the like 1952 period—in some cases quite healthy gains. Even more showed profits below

year-earlier levels, often sharply less.

The exception to this spottiness showed up in percent of pretax profits to sales. For the majority this figure was lower than in 1952. Many who have found ways to better their sales have not, significantly, been able to carry down so large a proportion of the sales dollar to pretax net. This is a forceful reminder that rises in some materials prices and in labor costs are inflexible.

The March operating reports, once they start flooding in, may show some variations to this picture. However, they are likely to follow fairly closely the pattern of the February and January harbingers.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Debentures. The offer is made only by the Prospectus.

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Tax-Free Split?

Du Pont management is cool toward proposal for using "spinoff" device to divest itself of GM stock.

Two-and-a-half years ago, the experts pointed out that an obscure provision in the 1951 tax law might be a big help to a company wanting to break itself up into more than one unit without letting itself in for a flock of tax liabilities. The provision, apparently, could assist both companies forced to subdivide by antitrust action and those split voluntarily to avoid such action. One of the devices for subdividing was called "the spinoff" (BW—Oct. 27 '51, p154).

Nothing much has been heard of the spinoff since, but the silence doesn't mean it's a dead issue.

• **Issues at du Pont**—This coming week it is slated to be back in the news under a Wilmington (Del.) dateline. Stockholders of giant E. I. du Pont de Nemours & Co. at their annual meeting will undoubtedly vote overwhelmingly against two spinoff proposals.

These have been suggested by a small stockholder group headed by Lewis D. and John J. Gilbert, two New York brothers who have made a career of needling corporation managements. The Gilberts propose that du Pont use the spinoff method to divest itself (1) of its huge General Motors common stock holdings, and (2) of its Kinetic Chemicals, Inc., or tetraethyl lead production unit.

Proposal No. 1 recommends that du Pont take steps to form a new company to hold all its GM shares, then to distribute all the stock of this new company to du Pont shareholders.

Proposal No. 2 appears less forthright, but takes in more territory. It not only recommends that du Pont "effect as soon as practical a tax-free divestment" of its GM holdings, but also of (1) all the assets formerly belonging to Kinetic Chemicals, and (2) its interest in the business of making tetraethyl lead (used principally in the manufacture of antiknock gasoline).

• **GM Target**—Du Pont owns 20-million GM shares (nearly 23% interest) with a market value of nearly \$2-billion. If a tax-free divesting of the GM shares could be gracefully worked out—with government approval—it could (1) take du Pont off the hook with the Justice Dept., which is now accusing it in an antitrust action with exercising control over GM, and (2) prove profitable to du Pont shareholders.

Chances of the spinoff being approved are mighty slim. The Gilberts

PRODUCTIVITY AND REAL WAGES

THE relation between wages and "productivity" has been much discussed since 1948, when General Motors Corporation and the United Automobile Workers (CIO) introduced the "annual improvement factor" into their wage contract. Now, with wage controls abolished and the cost of living tending to recede, it appears that the supposed yearly increase in "productivity" upon which the "annual improvement factor" is based will be used as the principal argument for wage increases.

What is meant by "productivity," and why does it tend to rise? What is its normal relation to money wages and real wages? Is there really a disparity at present between productivity and real wages? If so, which is too high in relation to the other?

Some of these questions are easier to answer than others. "Productivity" is usually understood to mean capacity to produce—not in the aggregate, but in the sense of a ratio between "output" of product and "input" of labor time, capital equipment, managerial effort, electric consumption, or some other type of unit representing a factor or factors of production.

Productivity has been measured in various ways, but in dealing with broad averages it has been found most convenient and appropriate to express it as a ratio between physical units of output and man-hours of labor. This mode of expression is far from precise, but it seems to be the best available.

The use of labor time as a denominator in measuring productivity has led to some unfortunate misunderstanding. The phrase "productivity of labor" is often heard, as if broad variations in productivity were due primarily to changes in the character or quality of workers. This is not the case. Average output per man-hour of labor is calculated to have about tripled in the last half century, not because the typical worker

of today is stronger, more skillful, or more diligent than the worker of fifty years ago, but because he uses better methods, more and better tools and machines, and vastly more mechanical power.

What the Record Shows

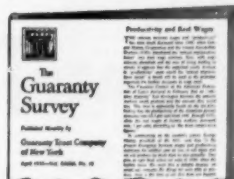
There has been a remarkably close relationship among wages, prices, and productivity over long periods. It is significant that this relationship existed long before the rise of labor unions to their present strength. What the record indicates is that productivity and the wage-price ratio have a strong *inherent* tendency to move together, irrespective of the form of industrial organization that may exist at any particular time.

It is essential to note that the correspondence between real wages and productivity has held good only over long periods. From year to year and even from decade to decade, both real wages and productivity have moved with considerable irregularity, and their fluctuations have sometimes shown wide divergence.

No one can say with final authority whether real wages now are too low or too high. Time will apply the practical test. Meanwhile, it is to be expected that workers will seek the highest wages they can get and that in their endeavor they will use any arguments that present themselves. Too strong insistence upon an unrealistic wage level, however, would seem more likely to bring on a business recession than to prevent one.

From the April issue of THE GUARANTY SURVEY, monthly review of business and economic conditions published by the Guaranty Trust Company of New York.

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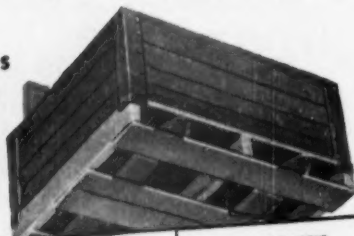
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Full magnetic control with plug-proof protection	Safety—lowest maintenance	✓	✓	-	✓
Spar and Hypoid gear drive fully enclosed in oil bath	Maximum efficiency under all load conditions	✓	-	-	✓
Patented dualift rams with leakage return	Exclusive! Protects ram plunger from dirt, damage	-	-	-	✓
Highest lift speed of any electric truck	Does more work—faster	-	-	-	✓
Heavy section rolled manganese alloy steel uprights	Better wearing quality, proper flange strength	✓	-	-	✓
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Greatest accessibility for maintenance	Minimum down time, lowest maintenance costs	-	-	-	✓



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"... the Gilberts do not want du Pont to admit antitrust guilt..."

TAX-FREE SPLIT starts on p. 60

and their associates hold only 300 du Pont shares, and du Pont directors are not in favor of the proposal.

The spinoff idea, however, may well be heard of again if the company, voluntarily or involuntarily, decides to divest itself of its many holdings.

• **Purpose Governs**—The tax status of the spinoff in the du Pont case or in any other instance will depend on its purpose. It cannot merely be an action to siphon earnings to stockholders. There must be a valid reason for it, if the transfer is to be tax-free.

• **Defense**—The du Pont management is opposed to any spinoffs involving its GM shares now because (1) it feels it is right in its defensive stand against the government's current antitrust suit, and (2) a compromise of the antitrust action would be "interpreted generally as an admission of the government's charge of wrong-doing."

The Gilberts say, however, that they, too, do not want du Pont to admit antitrust guilt. They stipulate that the spinoff be executed only if the government agrees such a step would not be construed as admission of wrong-doing.

The Gilberts add that their reason for suggesting a spinoff is that they want to protect themselves and other stockholders from "punitive and confiscatory taxation" which might result in the event of an adverse antitrust decision.

Pointing to the advantages of the spinoff, they say the market value of du Pont common plus that of the stock of a new company with the 20-million GM shares as its assets would exceed the market value of the present du Pont common.

• **Unnecessary**—With regard to the Gilberts' proposal that du Pont also divest itself of assets formerly held by Kinetic Chemicals along with its interests in the tetraethyl lead business, the du Pont management holds there is no need for such action. "The Antitrust Division has stated to the company that it will not ask for divestiture of the former Kinetic Chemicals assets," the management declares.

• **Test Case**—What looked like a potential spinoff transaction was executed last December by Consolidated Vultee Aircraft Corp., when it distributed to holders one-tenth of a share of the recently formed San Diego Corp. for each share of Convair held. To San Diego Corp. it had transferred \$1,360,000 in cash plus miscellaneous oil properties carried at \$180,000, and \$1,700,000 of second mortgage notes

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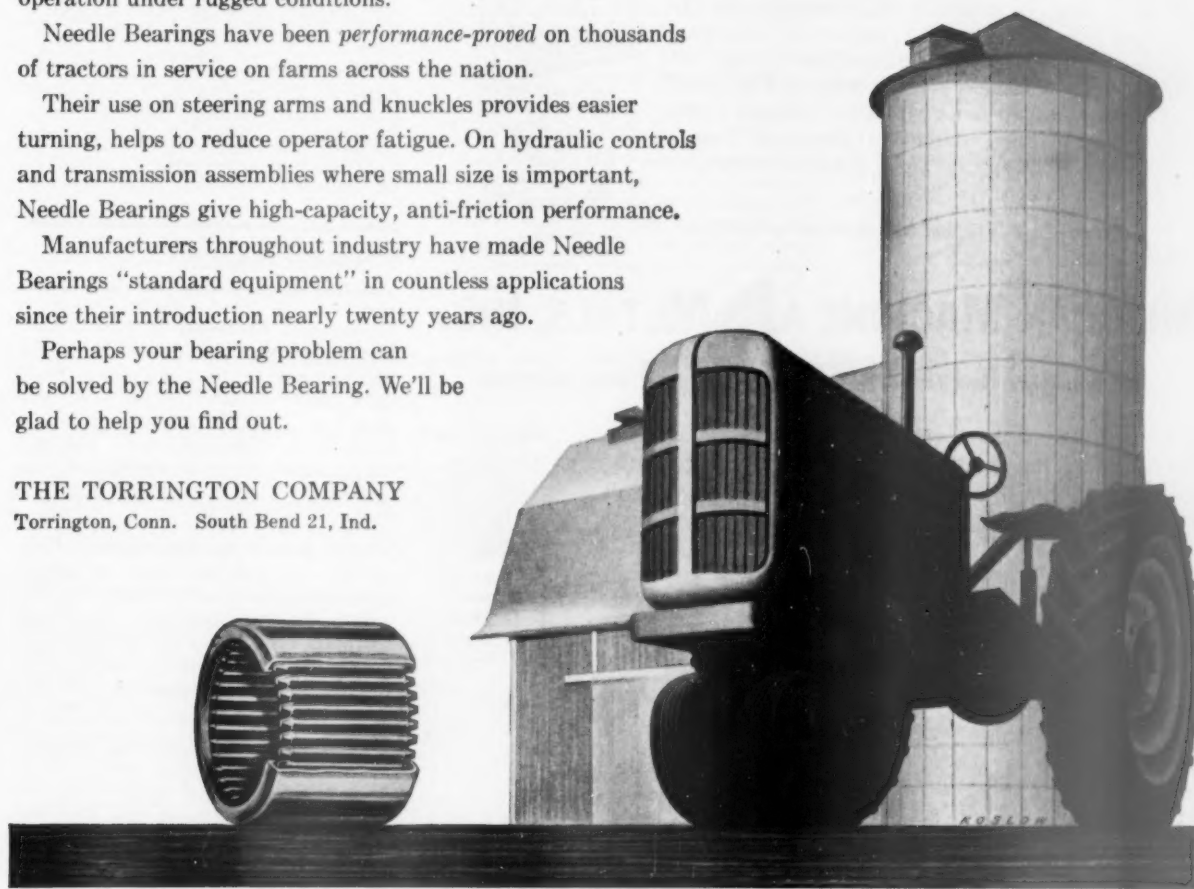
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received in the sale of its general office building at San Diego. A net value of \$2,640,000, or \$11 per share on the 240,000 outstanding San Diego shares, was placed on the dividend, equal to \$1.10 per share on the Convair stock. No ruling has been received by Convair yet from the Treasury Dept. as to whether this transaction is tax-free.

• **Rules and Regulations**—No doubt the potentialities of the spinoff have been considered by minority holders of some "wealthy" corporations that would like to force the retained earnings of profitable subsidiaries into dividend checks. The tax-free type of spinoff, however, is not available to this type of action. BIR is zealous in its basic policy of allowing earnings to move out of companies only through channels that permit the government to take its normal tax levies.

In its essence, a spinoff is simply a corporate reorganization in which, for instance, ABC Co. transfers part of its assets to XYZ Co. in exchange for the latter's stock. What differentiates the spinoff from other corporate reorganizations is that the stock of XYZ received by ABC is subsequently distributed to the stockholders of ABC. But the stockholders do not in return surrender any part of their stock in ABC.

In a tax-free spinoff, the reorganization and stock distribution must—and this is fundamental—be part of a "clear and definite plan carrying out a bona fide business purpose." The assets transferred must constitute a substantial part of the holdings of XYZ Co., and the tax regulations note that "ordinarily" in a bona fide spinoff, all the stock received must be distributed to the stockholders.

New System on Wheels Clears Checks Overnight

Forty Long Island (Nassau County) commercial banks, working with the Federal Reserve Bank of New York, are ready to launch a regional clearing of checks "on wheels"—the first joint venture of its kind.

Starting next month, armored trucks will show up at the 40 banks each afternoon, pick up checks drawn on other banks, and transport them to a clearing house. There they will be cleared, then trucked to the banks on which they were drawn before the opening of business the next morning.

• **More Flexible**—At present, checks are mailed into New York for clearance, and then mailed out again, a process which may take five days or more. Nassau County banks handle close to 19-million checks totaling \$14-billion each year. Bankers say around 30% of all checks are drawn on

Metropolitan's 85th Annual Report to Policyholders

More Benefits for More People

More benefits for more people than ever before! This keynotes the service of the Metropolitan Life Insurance Company. In 1952, payments to policyholders and beneficiaries reached a new high—\$945,000,000.

The daily transactions of Metropolitan are intimately interwoven with the hopes and aspirations of men and women throughout the United States and Canada. Behind the annual accounting lies the story of families helped toward security, of widows cared for, and children educated.

These human objectives far transcend the procession of cold figures across the pages of account books. Yet the figures reflect the planning by policyholders to help assure the fulfillment of their ambitions.

At the end of 1952, policyholders were protected by \$51,900,000,000 of Metropolitan Life insurance—a new high record. Old and new policyholders increased their insurance protection by buying \$3,600,000,000 of new Life insurance.

New long-term investments in 1952 totaled \$1,600,000,000. The major part of these funds went to help meet the needs of commerce and industry. In many instances, Metropolitan financed the expenditures necessary to bring to

the public the benefits of technological progress in such fields as chemistry and electronics.

Some \$369,000,000 was invested in city and farm mortgage loans in 1952. Part of these funds helped finance 30,000 new homes, and they brought the total outstanding home loans of the Company to 197,000 at the year's close.

The net rate of interest earned on Metropolitan's total investments after deducting investment expenses was 3.21% in comparison with 3.07% in 1951. However, the Federal income tax reduced the net investment return for 1952 to 3.00%. On new long-term investments made last year, the net interest rate, after all investment expenses but before the Federal income tax, was 3.73%—the highest since 1934.

Other high lights in Annual Report:

1. The number of policyholders increased to 33,700,000—a new record.
2. Accident and Health protection continued to grow in public favor, and this was particularly true of the new forms of protection provided by hospital, surgical, and medical expense policies. At the end of the year about 6,200,000 persons were protected by Accident and Health coverage under Metropolitan Group and individual policies.

3. The mortality rate among Metropolitan's policyholders continued to be favorable. Death rates from many causes—particularly tuberculosis and most of the common childhood diseases—reached all-time lows.

4. In common with the experience of business generally, Metropolitan's expenses increased somewhat last year. A continuing effort is made to keep them at a low level consistent with proper service to policyholders.

5. Dividends to policyholders in 1952 amounted to \$192,000,000—the largest sum in the Company's history.

Metropolitan's Report to Policyholders for 1952 would not be complete without appreciative reference to the loyal and capable Metropolitan men and women who made possible the efficient and progressive service which our policyholders quite properly expect.

Additional details of the Metropolitan's service last year are given in the Company's Annual Report, copies of which may be obtained on request.



CHARLES G. TAYLOR, JR.
President

METROPOLITAN ASSETS AND OBLIGATIONS—DECEMBER 31, 1952

(In accordance with the Annual Statement filed with the Insurance Department of the State of New York.)

ASSETS WHICH ASSURE FULFILLMENT OF OBLIGATIONS	
Bonds	\$7,996,545,124.86
U. S. Government	\$1,844,608,305.55
Canadian Government	143,537,746.75
Provincial and Municipal	66,051,354.87
Railroad	660,243,225.66
Public Utility	1,514,241,381.02
Industrial and Miscellaneous	3,767,863,111.01
Stocks	177,509,022.72
All but \$18,064,177.72 are preferred or guaranteed.	
Mortgage Loans on Real Estate	2,076,077,747.18
On urban properties	\$1,914,495,597.64
On farms	161,582,149.54
Real Estate (after decrease by adjustment of \$1,900,000 in the aggregate)	439,058,209.64
Housing projects and other real estate acquired for investment	\$ 391,638,408.63
Properties for Company use	46,718,864.57
Acquired in satisfaction of mortgage indebtedness (of which \$2,059,121.24 is under contract of sales)	2,600,936.44
Loans on Policies	465,211,481.47
Made to policyholders on the security of their policies.	
Cash and Bank Deposits	175,519,891.02
Premiums, Deferred and in Course of Collection	161,709,504.12
Accrued Interest, Rents, etc.	100,898,064.65
TOTAL ASSETS TO MEET OBLIGATIONS	\$11,592,529,045.66

OBLIGATIONS TO POLICYHOLDERS, BENEFICIARIES, AND OTHERS	\$9,856,893,709.00
Statutory Policy Reserves	
This amount, required by law, together with future premiums and interest, is necessary to assure payment of future policy benefits.	
Policy Proceeds and Dividends Left with Company at Interest	653,976,566.00
Funds left with the Company by beneficiaries and policyholders to be paid to them later.	
Reserved for Dividends to Policyholders	181,782,277.00
Set aside for payment in 1953 to those policyholders eligible to receive them.	
Policy Claims Currently Outstanding	55,011,011.17
Claims in process of settlement, and estimated claims that have occurred but have not yet been reported.	
Other Policy Obligations	76,947,311.14
Including premiums received in advance and special reserves for mortality and morbidity fluctuations.	
Taxes Accrued (payable in 1953)	47,012,225.46
Security Valuation Reserve	23,176,699.00
Prescribed by the National Association of Insurance Commissioners.	
Contingency Reserve for Mortgage Loans	7,150,000.00
All Other Obligations	25,851,692.57
TOTAL OBLIGATIONS	\$10,927,801,491.34
SURPLUS FUNDS	
Special Surplus Funds	\$106,783,000.00
Unassigned Surplus Funds	557,944,554.32
TOTAL SURPLUS FUNDS	664,727,554.32
TOTAL OBLIGATIONS AND SURPLUS FUNDS	\$11,592,529,045.66

NOTE—Assets amounting to \$552,449,409.65 are deposited with various public officials under the requirements of law or regulatory authority.

Metropolitan Life Insurance Company
(A MUTUAL COMPANY)



HOME OFFICE: 1 MADISON AVENUE, NEW YORK 10, N. Y.
PACIFIC COAST HEAD OFFICE: 600 STOCKTON STREET, SAN FRANCISCO 20, CAL.
CANADIAN HEAD OFFICE: 180 WELLINGTON ST., OTTAWA, ONTARIO, CANADA

METROPOLITAN LIFE INSURANCE CO.
1 Madison Avenue, New York 10, N. Y.

Gentlemen:

Please send me a copy of your Annual Report to Policyholders for 1952.

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CITY _____

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A copy of our 1952 Annual Report sent upon request



Chemical gauge—one of many industrial, marine and aviation types.



Centrifugal drying and separating machine



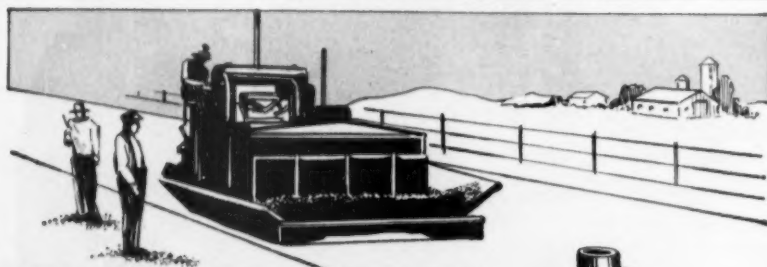
Elapsed Time Recorder—Controller

AMERICAN MACHINE AND METALS, INC.

233 Broadway, New York 7, N. Y.



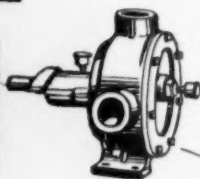
9 Closely Knit Divisions



What's a VIKING PUMP Doing Here?

Both the manufacturer of the black top application equipment and the contractor laying the road find the right answer in Viking Rotary Pumps. For handling asphalt, heating oil and lubricating oils, Vikings are better than anything they have ever used.

Viking Pumps are built in sizes from $\frac{1}{4}$ to 1050 gallons per minute, in over 600 standard models—plus many special units. If you move semi-solids or have similar pumping problems, they can be answered best with Vikings from the largest selection of rotary pumps on the market.



For information on pumps designed for road-building, write today for free bulletin series 901.

VIKING PUMP COMPANY
CEDAR FALLS, IOWA

THE ORIGINAL "GEAR-WITHIN-A-GEAR" ROTARY PUMP

banks within a 25-mi. radius, 50% within 50 mi.

The overnight service, which may set a pattern for similar clearing systems in other parts of the country, will benefit the little businessman, says Oscar Gast, president of the Rockville Centre Trust Co. and of the Nassau County Clearing House Assn.

"By enabling merchants operating on limited capital to collect more quickly on checks they get for goods and services, they'll have wider use of their own funds," Gast declares.

• **No Time Lag**—At the same time, the new system will curb check kiting. A check kiter is a buyer who takes advantage of the time it takes to collect on a check drawn on a bank in a different town.

"The professional kiter figures he can resell an article at a profit and make good before the check bounces," says Gast. "If his scheme falls through, the bank and the businessman are caught in the middle."

FINANCE BRIEFS

Commercial borrowers at New York's National City Bank now may obtain life insurance to cover amounts of their loans, up to \$10,000. Cost: 83 $\frac{1}{4}$ ¢ per month per \$1,000, with no medical examination. Previously only personal credit borrowers could obtain such insurance.

• A state income tax like Alaska's—10% of what the individual pays in federal income tax—is being weighed by Nevada as an alternative to a boost in its gambling tax. The state wants money for aid to schools, and the income levy would raise \$4-million yearly.

• Capital gains or investment income? Which do most investors seek? A New York Stock Exchange study of dealings of 1,650,411 shares on two days last year shows 771,601 were bought for long-term appreciation, only 423,791 for income. Of those seeking gains, buyers of 21,095 hoped for a profit in 30 days to six months—only 108,854 anticipated a gain in less than 30 days. Sellers of around 40% of the shares on those days had held them more than a year.

• Chicago, Rock Island & Pacific RR will build up its net working capital before weighing any increase in the \$4-annual-dividend rate, says J. D. Farrington, president. Cash has been needed in big chunks for improvements, equipment, and income tax payments, but should begin to rise fast after July 1.

mainly in strong hands not apt to dump them in panicky fashion at the first hint of trouble. They could well be wrong, in their chief claim (or hope) at the moment: that the current weakness, like the others, will soon be replaced by a strong rally that will take

the stock market to another string of highs.

In any event, one can agree with one crack of the jubilant bears: It's now up to the bulls to prove the correctness of their thesis. That job could be quite a tough task.

How Selective the Market Has Been Lately

	1951 Yearend	1952-1953 Range		Recent Level	1952-1953 Gains	
		High	Low		Maximum	Now
Abbott Laboratories.....	\$59.00	\$64.50	\$41.75	\$42.87	9.3%	-27.3%
Allied Chemical Dye.....	75.50	78.37	67.25	71.75	3.8	-5.0
Allied Stores.....	38.25	40.62	36.00	38.62	6.2	1.0
Aluminum Co.....	79.75	99.50	73.25	94.00	24.8	17.9
Amerada Petroleum.....	144.25	235.00	141.50	179.00	59.6	21.6
American Can.....	35.75	36.87	28.12	34.62	3.1	-3.1
American Cyanamid.....	53.87	59.75	47.25	50.87	10.9	-5.6
American Locomotive.....	19.25	21.87	17.12	17.50	13.6	-9.1
American Optical.....	29.50	39.87	28.37	36.00	35.2	22.0
American Smelting and Refining.....	47.62	53.00	38.87	38.12	11.3	20.0
American Tobacco.....	62.25	74.75	54.37	69.50	20.1	11.6
American Viscose.....	65.75	69.87	51.62	52.00	6.3	-20.9
American Zinc.....	24.50	26.37	16.50	16.75	7.6	-31.6
Anaconda Copper.....	50.50	55.75	38.00	39.50	10.4	-22.8
Atlantic Refining.....	33.87	36.25	29.62	29.75	7.0	-12.2
Bethlehem Steel.....	51.50	57.75	46.50	50.37	12.1	-2.2
E. W. Bliss.....	16.00	22.50	15.12	16.87	40.6	5.4
Boeing Airplane.....	40.25	48.50	31.37	41.25	20.5	2.5
Borden Co.....	50.00	58.25	49.75	57.00	16.5	14.0
Bristol-Myers.....	33.87	35.37	22.00	22.12	4.4	-34.7
Burlington Mills.....	19.12	19.75	12.75	13.00	3.3	-32.0
Carrier Corp.....	23.37	45.25	21.37	41.75	93.6	78.8
Celanese Corp.....	52.12	51.62	30.00	30.00	-1.0	-42.4
Chain Belt.....	38.75	42.00	33.00	33.00	8.4	-14.8
Chrysler Corp.....	70.00	98.00	68.12	78.37	40.0	11.9
Cities Service.....	101.50	114.00	87.00	89.00	13.3	-12.3
Climax Molybdenum.....	34.37	43.12	29.37	39.50	25.5	14.9
Colgate-Palmolive-Peet.....	45.50	47.50	40.87	42.75	4.4	-6.0
Container Corp.....	37.00	43.87	31.87	40.75	18.6	10.1
Davison Chemical.....	47.00	49.00	33.75	35.00	4.3	-25.5
Diamond Match.....	49.00	52.50	33.12	37.25	7.1	-24.0
Douglas Aircraft.....	57.63	72.25	52.00	62.50	25.4	8.5
Dow Chemical.....	42.75	44.25	36.50	38.37	3.5	-10.2
E. I. du Pont.....	92.00	100.25	79.63	97.00	9.0	5.4
Food Machinery.....	53.00	56.25	37.75	37.75	6.1	-28.8
General Electric.....	59.50	73.50	54.37	67.12	23.6	12.8
General Foods.....	44.87	55.87	41.00	53.75	25.4	19.7
General Motors.....	52.00	69.75	50.00	60.25	34.1	15.9
Goodyear Tire & Rubber.....	44.50	59.00	40.00	53.12	32.6	19.4
Homestake Mining.....	33.50	41.37	33.62	40.25	23.5	20.1
International Harvester.....	35.00	36.62	29.87	30.37	4.6	-13.2
Johns-Manville.....	72.00	78.75	62.75	70.00	10.4	-2.8
Loew's, Inc.....	17.25	18.25	11.25	13.50	5.8	-21.7
Masonite Corp.....	34.00	33.50	21.62	22.50	1.5	-33.8
Mead Corp.....	25.12	28.37	22.75	26.25	12.9	5.3
Merck & Co.....	32.25	35.50	21.75	22.50	10.1	-30.2
Montgomery Ward.....	67.50	67.50	55.50	64.50	-4.4
Pacific Mills.....	33.62	35.25	24.50	27.75	4.8	-17.5
Rayonier.....	34.25	37.00	24.50	28.25	8.0	-17.5
Sears, Roebuck.....	56.00	62.37	50.50	58.12	11.4	3.8
Standard Oil (Cal.).....	50.87	64.25	50.12	53.75	26.3	5.7
Standard Oil (N. J.).....	78.75	85.00	72.00	70.00	12.2	-11.1
Union Carbide & Carbon.....	63.62	72.87	57.00	66.50	14.5	4.5
United Aircraft.....	31.62	40.25	28.00	33.25	27.3	5.2
United States Rubber.....	30.87	31.25	22.12	28.50	1.2	-7.7
United States Steel.....	39.87	44.12	37.12	38.50	10.7	-3.4
Westinghouse Electric.....	39.87	50.00	35.12	43.75	25.4	9.7
Wheeling Steel.....	39.25	40.37	36.25	36.50	2.9	-7.0
White Motors.....	29.37	29.37	25.00	26.12	-11.1
Zenith Radio.....	67.50	88.50	68.00	75.00	31.1	11.1

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Your children should be safeguarded against street hazards and unfriendly dogs and your home and grounds should be secure against trespassers. May we send you our booklet of illustrated information on home privacy and protection as provided by attractive, enduring Page Chain Link Fence? It tells how to select the style of fence and type of gates you should have, and the choice of metals available for your fence. Also very important, you'll learn about the service of your nearby Page Fence specialist—a local, responsible fence engineering and erecting firm. Write for booklet DH-406 and with it we will send this firm's name and address.

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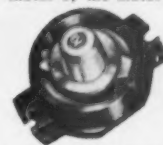


Refrigeration Manufacturer Safeguards Motors with KLIXON Protectors

HAGERSTOWN, MD.: B. C. Davison, Manager of Service and W. L. Currie, Chief Sales Engineer of Victor Products Corporation agree KLIXON Protectors give complete motor burnout protection to their world famous line of refrigeration products. Mr. Davison says:

"Our returns of compressors equipped with Spencer relays and motor protectors have been nil. Klixon protectors have proved of immeasurable value in safeguarding compressor motors against over-loading and inadequate voltage."

The KLIXON Protector, illustrated, is built into the motor by the motor manufacturer. In such equipment as refrigerators, oil burners, washing machines, etc., they keep motors working by preventing burnouts. If you would like increased customer-preference, reduced service calls and minimized repairs and replacements, it will pay you well to ask for equipment with KLIXON Protectors.



Manual reset

KLIXON

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MIT

Massachusetts Investors Trust

DECLARES ITS

114th Consecutive Dividend

The Trustees have declared a quarterly dividend of 22 cents a share, payable April 25, 1953 to shareholders of record at the close of business March 31, 1953. This dividend is entirely paid out of dividends and interest received by the Trust on its investments.



ROBERT W. LADD, Secretary

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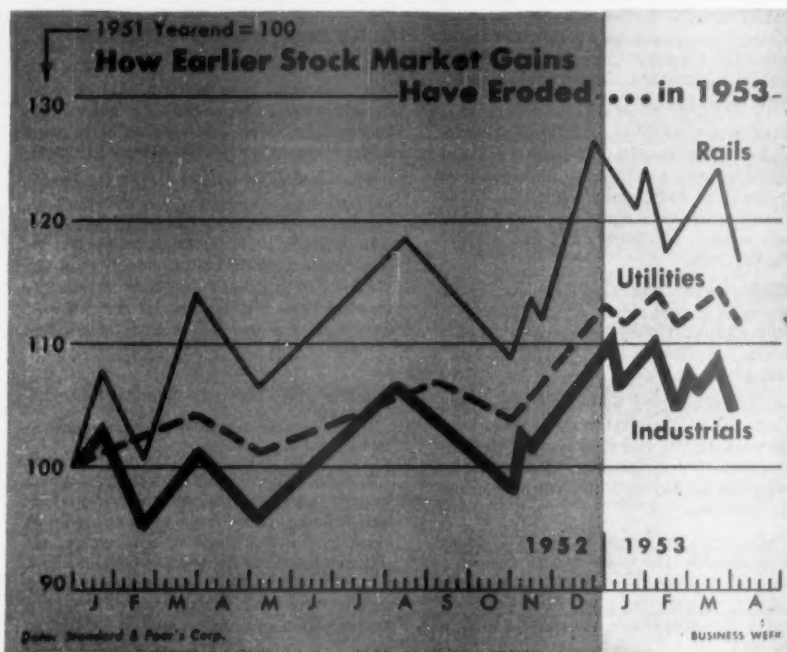
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See Clues on page 182

THE MARKETS



Emotion Grips Bulls and Bears

What's the meaning of the precipitate fall in share prices the last week or so (page 27)?

Will it go down in the books as just one of those things: an ordinary—though more costly than usual—spate of emotional selling of little significance in the over-all market picture. Is it something more serious: a definite warning that the almost-four-year-old bull market has finally come to an end?

Obviously, you think of Wall Street as the best source of answers on such points. Ordinarily, you would be right. But that's not the case now.

• **Emotions**—During moments of crisis most Wall Streeters are no different from most other stock market participants; in trying times they often become quite as emotional. And this seems one of those occasions.

Ask a rampant bull if recent events should be considered as the handwriting on the wall, and he will all but toss you out of his office. Since when, he will ask indignantly, was there a bull market that didn't turn up an occasional soft spot? More often than not, he adds, these soft spots are followed by a resumption of rising prices. Why should things be any different now?

Such remarks could well represent whistling past the graveyard. But they can't be dismissed.

• **Earlier Tumbles**—In the past two years five distinct periods of price weakness have disrupted the bull market. Three of them touched off sharper (though not quicker) losses, as registered by the Street's various market price yardsticks, than the present one had produced up to early this week. And each of the five was followed by another string of brand-new bull market highs.

Take the last such occasion: the August-October decline that shows up so clearly in the chart above. It was followed by a vigorous rally. Before the rally slowed down, it had pushed Standard & Poor's industrial index to a bull market peak sharply above the earlier high chalked up in August.

• **The Bears**—The Street's bullish segment is not the only one to allow recent events to make it a bit emotional. The same factors color the opinions of its rampant bear, too. While the bulls insist that basically everything is still peaches and cream, most bears are just as insistent that the current price spill forebodes grief and trouble in the market in the months ahead.

Obviously, it's still in the lap of the gods which verdict will be right. At the moment the evidence would seem to favor the bears.

Certainly, the bulls were wrong in claiming till lately that stocks rested



slum, which the city is intent on razing and redeveloping. Some of the reasons are shown below.



DEATH RATE per 1,000 runs 32% above the rate for the whole city.



NEGLECT and dependency cases in 1949 were 122% above the citywide average.



PUBLIC WELFARE cases average 283% over the Pittsburgh assistance rate.

Answer to the High Cost of Squalor

briskly uphill from the Golden Triangle, intent on razing 106 acres of slum buildings almost a century old.

From the base of the Golden Triangle (map), you can turn west, downhill, into the Triangle itself, where

about \$120-million has been invested in the past five years (BW-Jun.21'52, p170).

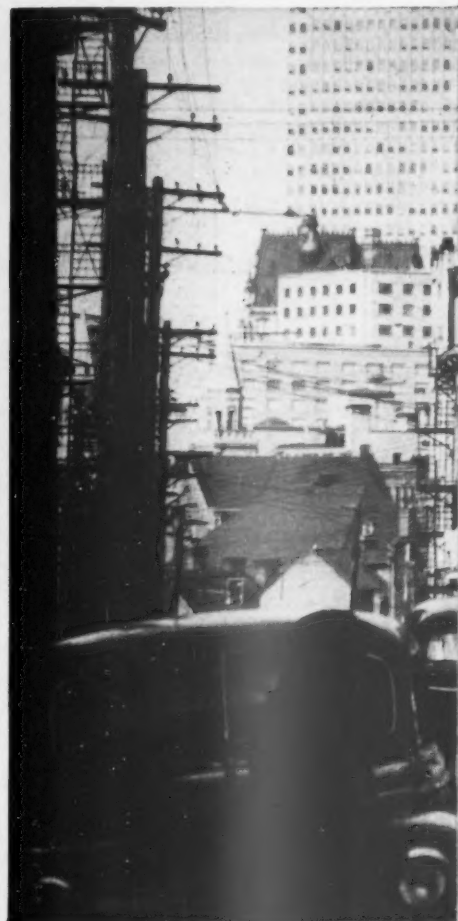
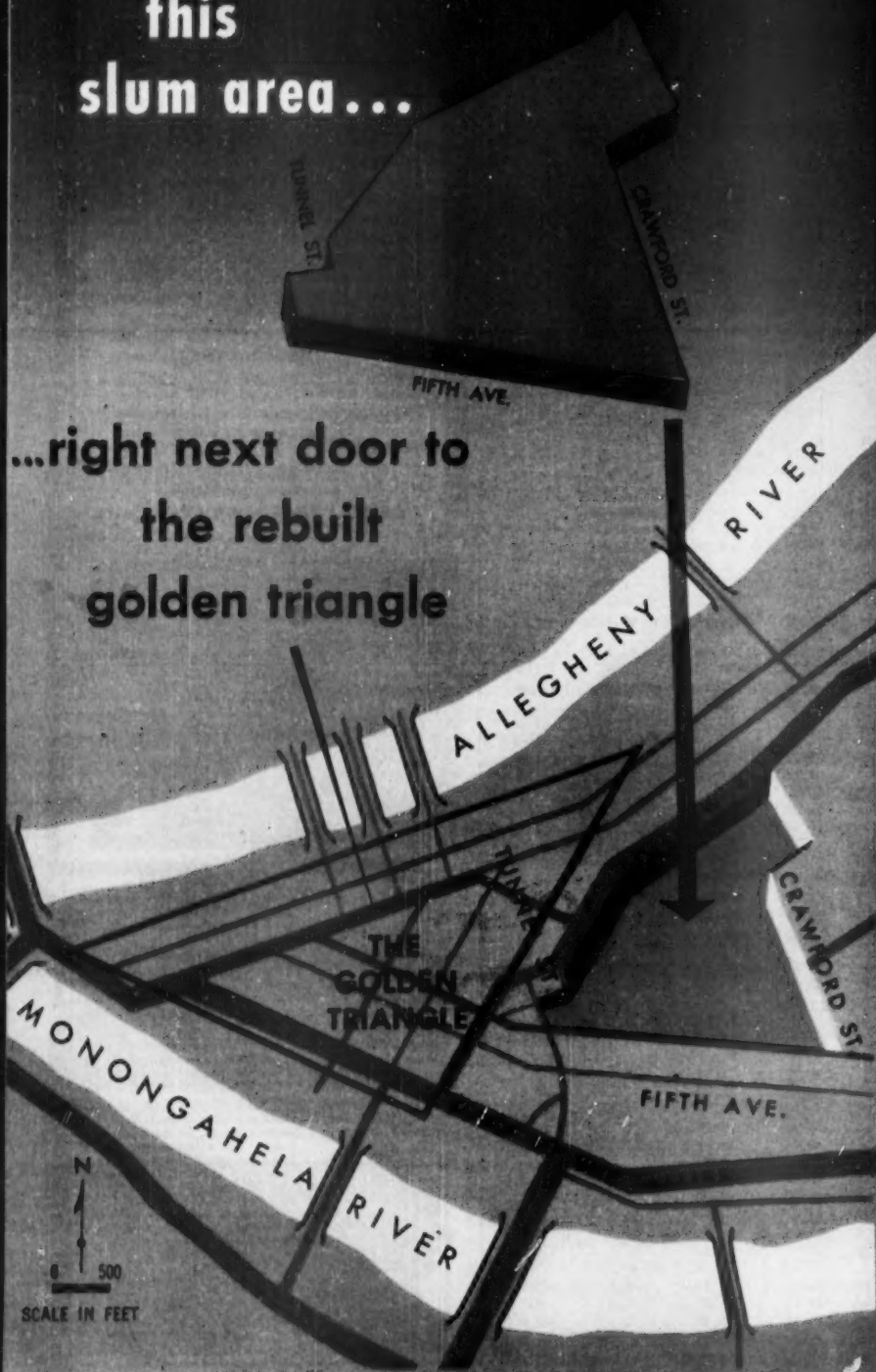
Or you can turn east and slog your way uphill over abominable cobblestone streets into what used to be,

50 years or more ago, a wealthy residential section. Today, says a City Planning Commission report, "other places in the city may be as bad as in the hill district, but none of these areas has—altogether—so many dwelling units of

REGIONS

**Pittsburgh plans to redevelop
this
slum area...**

**...right next door to
the rebuilt
golden triangle**



This is Pittsburgh's costly lower hill



CRIME incidence is 8.1 per 1,000 people per week; the citywide average is 1.9.

Pittsburgh's

No matter how you look at it—and most people make it a point not to look at it at all—Pittsburgh's "lower hill" district is a thoroughly slummy area. That's why the city's energetic Urban Redevelopment Authority is marching



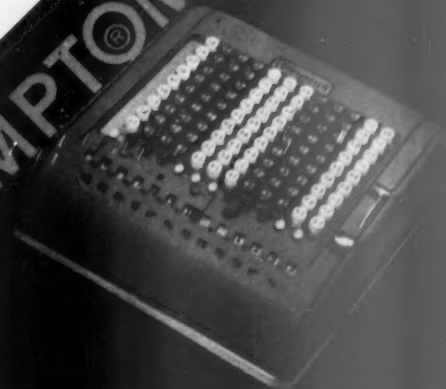
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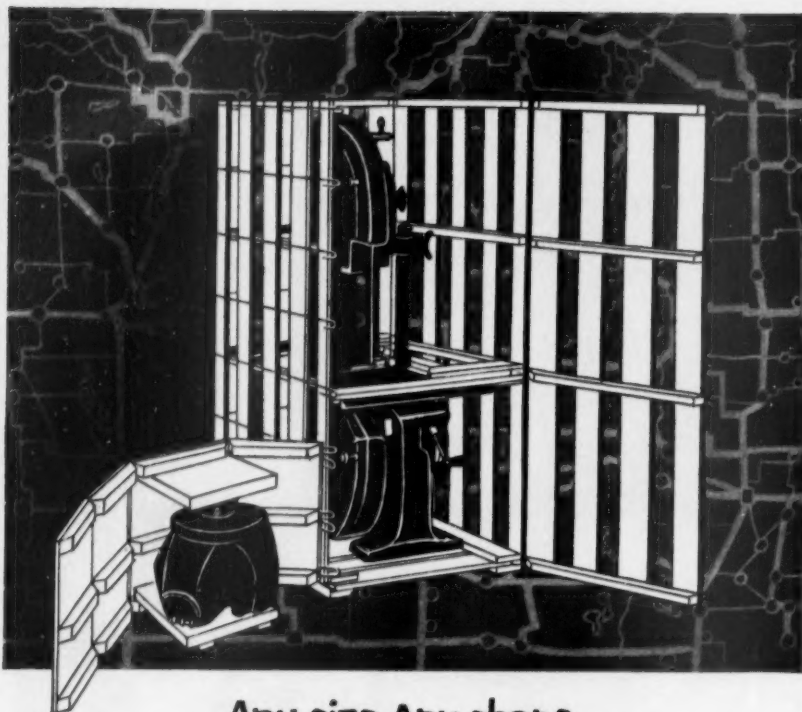
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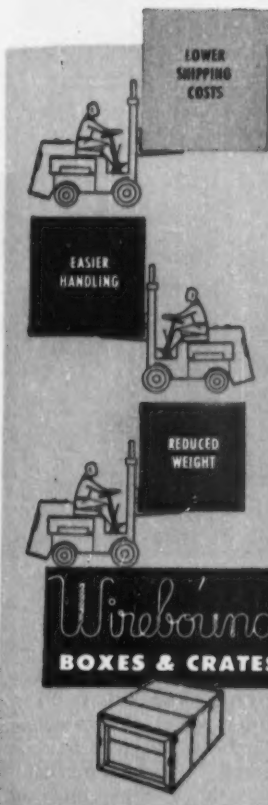
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"... the beauty of the project is that it meets all these needs ..."

PITTSBURGH starts on p. 70

such a bad quality over such a continuous and extensive area."

• **Decision**—Before the redevelopment authority could move in, the commission had to certify the area as blighted. It also had to make the basic decision on how the reclaimed land would be used. Its decision was a combination of civic, commercial, and residential—but not industrial.

The main reason was that industry's best site in the Pittsburgh area is along the rivers, where there's good transportation. As badly as Pittsburgh and Allegheny County need new industrial sites, there are other pressing needs for which the hill district is much better suited:

• The city and county badly need acreage for a crosstown parkway.

• The whole metropolitan area needs a centrally located site, close to highways and with vast parking space, for a combination auditorium-sports arena-convention hall type of building.

• Downtown apartment houses are almost nonexistent in Pittsburgh.

The beauty of the lower hill project is that it meets all these needs and, at the same time, it would eliminate a costly and unsightly slum.

• **The Hub**—By late this year the authority hopes to start acquiring the land. It expects, now, to pay about \$16-million for it, all told. Perhaps 15 acres of the 106 will go to the county and city, at cost, for the crosstown parkway. Some 55 acres, in the heart of the area, would be used for the multipurpose auditorium, plus parking and mass-transportation facilities. The remaining 36 acres would be redeveloped, presumably by private builders, as apartment houses and stores.

Key to the entire project is the auditorium. Plans aren't definite, of course, but the aim is to seat from 8,500 to 16,750 people for sports events, civic light opera, political or business conventions, public meetings, exhibitions, expositions. It's to have a retractable roof; rotating seats would transform it easily from a theater (event at one end) to an arena (event at the center). The total cost is estimated at about \$8-million.

Eventually, the planners hope to add a combined opera-symphony hall and a playhouse to the lower hill cultural center. But timing on this and the apartment-store development is uncertain. The auditorium and the parkway they want right now.

• **A Hitch**—The major joker in the



You know his first concern is you...

CONFIDENCE is born in one look at the eyes... the set of the shoulders... "the cut of his jib". In a second, you *know* he's had years of training and weathered it well. You know you couldn't be in better hands... and if anyone can get you there, *he will*.

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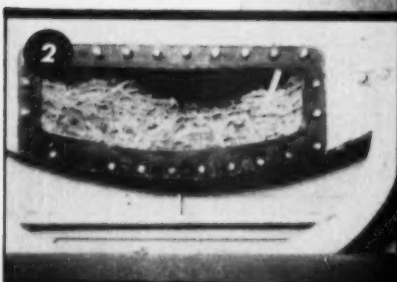


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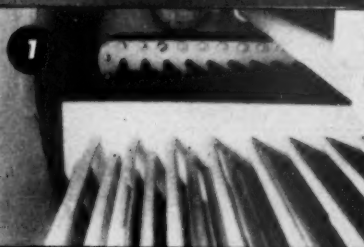
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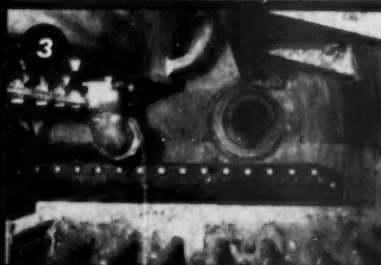
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whole scheme is this: It will cost the redevelopment authority a lot more to buy up and clear the land than it can ever expect to get for property devoted to such uses. There's nothing cheap about slum property.

This will be the authority's fourth project. In two of the first three, it acquired slums for steel-plant expansion. That meant in each case there was an eager customer, who wanted to put up a plant so expensive that land cost was a minor item. For the third project, the authority had two buyers—the state and an insurance company. One absorbed the high land cost for a park, the other for an eight-unit group of office buildings. In every case, the ultimate land use justified the entire cost of acquiring and clearing the land.

Not so on the hill. The city and county, to be sure, must pay whatever it takes to get the land for the cross-town parkway. But auditoriums and cultural buildings can't afford expensive land. And, not quite so obvious, neither can the private investor in apartment house or store properties. For such uses, in contrast to, say, a steel mill, land makes up a major portion of the total investment. And unlike an expanding company, the builder of an apartment house or store building doesn't have to build in a specific spot.

• **Outside Help**—Basically, then, the authority will have to peddle its lower hill property for what it will bring. And what it will bring—barring a completely unlikely boom in real estate prices—is going to be a lot less than the \$16-million it will cost to buy and clear the property.

That's where the federal government comes in. Under Title I of the National Housing Act of 1949, the government can make loans for acquiring and clearing blighted areas, and for planning their use. And it can make outright grants to absorb two-thirds of any necessary writedown in land value by the redevelopment agency. The local one-third can take the form of cash or of land or area improvements.

• **Part of the Whole**—Here's how it might work in Pittsburgh: The city and county expenditure, in the form of vacated streets and building of the crosstown parkway, might come to \$2-million. The state has already pledged \$1-million. That adds up to \$3-million, which would match a federal grant of \$6-million for a total of \$9-million. Offset that against the \$16-million cost and you get a figure of \$7-million that the authority would have to raise from land sales or rentals.

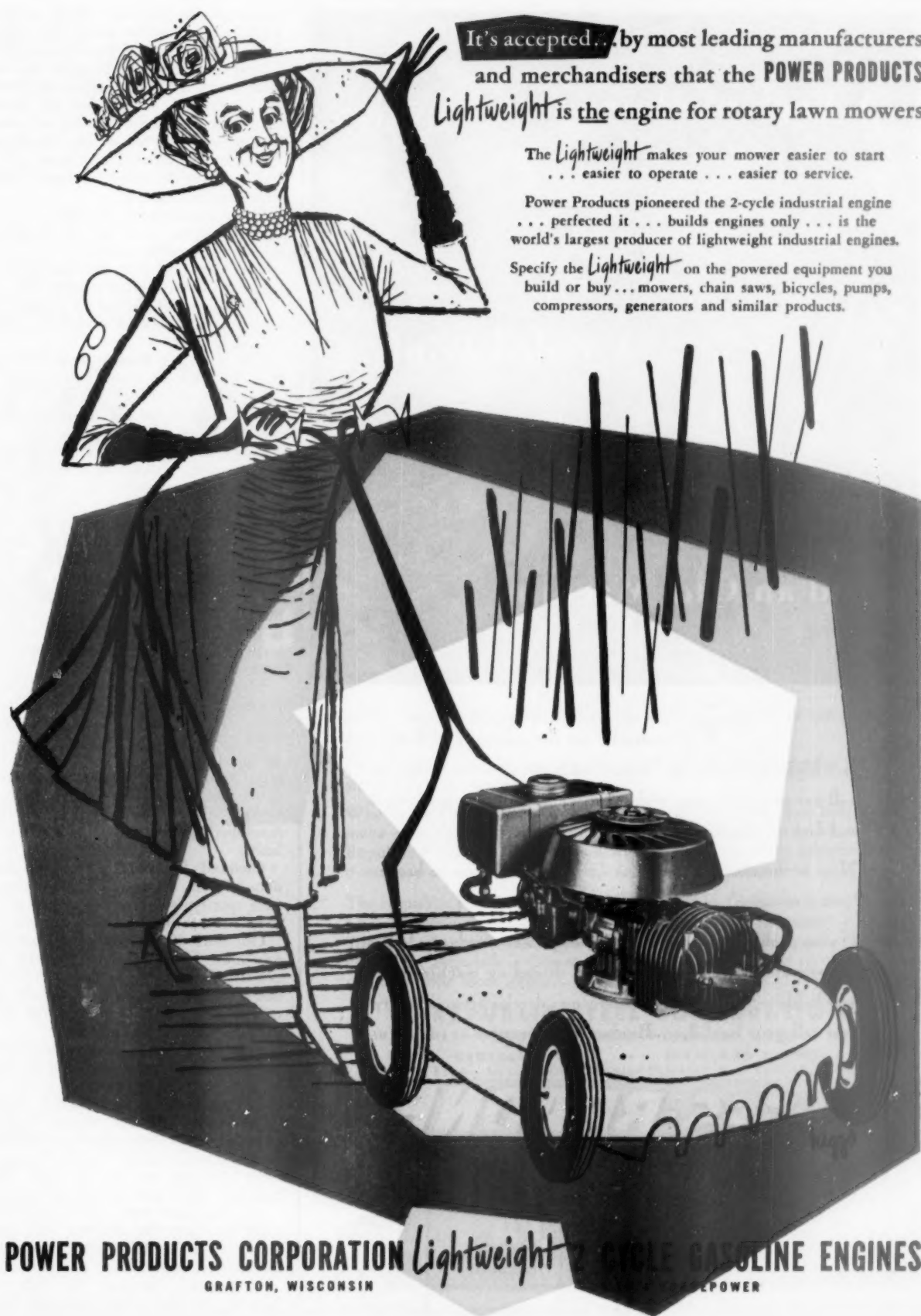
The Pittsburgh project is just part of a larger slum-clearance program that is going on across the country, on a national scale. To see how it fits into the over-all redevelopment picture, turn the page.

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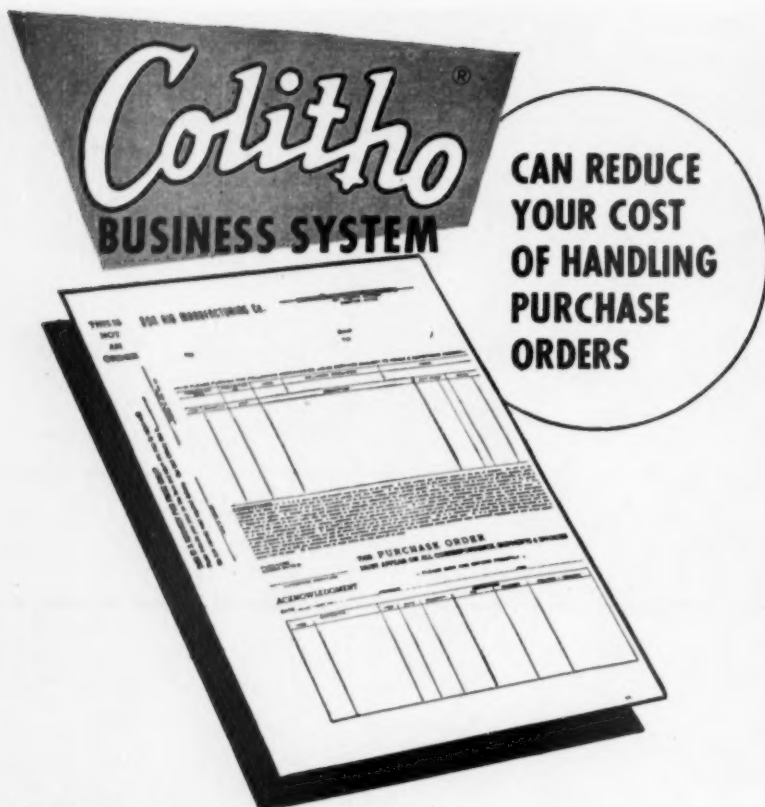
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Razing the Slums

Federal aid gives U. S. cities a chance to clear up slums that otherwise would cost too much to redevelop.

Besides their impact on the crime rate and other social factors, blighted areas are almost always the most expensive for a city to administer. They yield very little in tax revenues, but they require far more than their share in police and fire protection and welfare expenditures.

• **Poor Return**—Up to 1949, most major efforts to raze and rebuild blighted areas were stymied by the big money loss involved—buying and clearing the land almost invariably cost more than the land is worth afterwards.

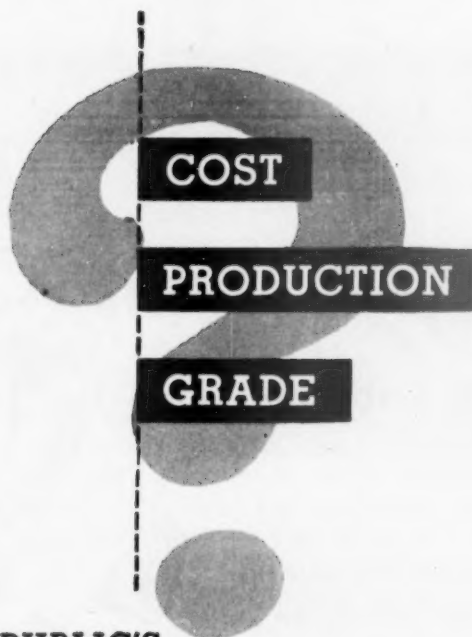
To help cities over this financial hurdle, Title I of the National Housing Act of 1949 (the Wagner-Ellender-Taft act) created two aids: (1) \$500-million that the Housing & Home Finances Agency can grant to cities to pay two-thirds of the cost of such write-downs; and (2) \$1-billion that it can lend to cities to finance planning for redevelopment and land purchase and clearing.

• **Willing**—Right now, 16 cities have 31 redevelopment projects in the active stage of land acquisition or even new construction under Title I. Within 6 to 12 months, some 70 additional cities and towns (including Pittsburgh, page 70) will begin buying land for redevelopment of more than 90 blighted areas. And more than 100 other redevelopment projects are in the preliminary planning stages.

All told, HHFA has definitely reserved \$230-million of its \$500-million capital-grant authorization for projects in 257 cities and towns.

• **Restricted**—Slum elimination was the principal purpose of the 1949 law, of course. So the act requires that the land be either predominantly residential originally or predominantly residential after redevelopment—but not necessarily both. Where slum housing already occupies an area, the redevelopment can be civic, commercial, or industrial, rather than residential, if one of those makes best use of the land as part of the over-all master plan for the locality.

Of the first 126 projects approved by HHFA for final planning, more than 90% are residential slums. Only seven are blighted nonresidential areas; five consist mostly of open land, principally arrested subdivisions. Only 15 of the 126 projects will be redeveloped exclusively for residential use. Approximately 48 of them will be entirely non-



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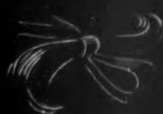
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residential; the other 63 will be mixed.

- **Qualifications**—The residential qualification is only one of the requirements a local redevelopment program has to meet before it can get federal aid. One very important one is that the state must have passed an enabling act conforming with the federal law. To date, 35 states have enacted such laws; cities and towns in the other 13 cannot take advantage of Title I.

Other requirements include:

- A master plan for the development of the entire locality.
- A detailed plan for the specific area, conforming to the master plan.
- A practical method for temporary relocation of families displaced from the project area.

- Assurance of permanent housing that the displaced families can afford.

- Maximum opportunity for private enterprise to participate in the redevelopment of the project area.

- **Compliance**—The actual mechanics of complying with all the terms of the law make each project a long, slow process. The first step for a city that wants to get in under the act is to set up a local redevelopment authority, if it doesn't already have one, and to ask HHFA officially for a grant reservation. Next, it has to submit the master plan for the locality. If HHFA is satisfied with this, it grants a loan for the detailed planning of the specific project. This planning calls for firm determination of building requirements for the project area, including projected population density, building coverage, land-use standards, and so on, as well as a detailed estimate of the cost of acquisition and clearing, and anticipated writedown. (Design of the buildings to be built, however, is left to the developer who later buys or leases the land.)

- **Credited**—When HHFA accepts this detailed plan, it is ready to sign a contract specifying the size of the grant to cover two-thirds of the writedown.

One-third of the loss realized on resale must be assumed by the city or county. But it gets a credit toward this one-third for any money it spends on capital improvements to put the site in shape for redevelopment.

- **How It Works**—Here's a simplified example. Suppose the total cost of buying, clearing, and preparing a site is \$900,000 more than its final resale value; but as part of the preparation, the city spends \$200,000 on new streets and sewers. Then the authority has to raise only \$100,000 in cash to meet the local one-third share of the writedown.

At the same time as it signs the grant contract, the authority can also sign up with HHFA for a loan to finance land purchase and site clearance.

In practice, however, this type of loan has not been called for much. The

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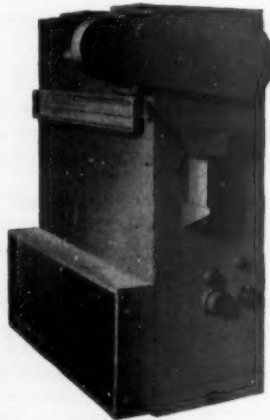
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reason: Usually, authorities can borrow from private sources at lower rates of interest by pledging their federal contracts as security.

• **Backing**—Urban redevelopment is one feature of the 1949 housing law that the Eisenhower Administration is certain to back full-strength. Albert M. Cole, the newly appointed GOP housing administrator, is asking Congress for staff appropriations for strong, progressive administration of the urban redevelopment provisions of the law.

Some local housing and city planning officials, however, aren't sure how well Cole will be able to carry out these intentions, for two reasons.

• **Doubts**—Although Cole has come out strongly in favor of the urban redevelopment provisions of the housing law, he is just as strongly opposed to the low-rent federal housing provisions of the same law. And it's questionable whether you can have one without the other. Ferd Kramer, a big Chicago real estate man, for instance, has stated publicly that "one of the major keys to urban redevelopment is public housing."

The reason is the requirement in Title I that permanent housing must be assured for the displaced families at a price they can afford. For a large portion of them, this practically rules out everything except federal, low-rent public housing. In the average blighted area now under redevelopment, perhaps 30% of the families have incomes low enough to qualify for federal low-rent projects. But in some it runs much higher; in Pittsburgh's lower hill project, for instance, it's estimated that 70% of the nearly 3,000 families now living there will be eligible. (Pittsburgh has considerable public housing; that will be ready just about the time it will be needed for the lower hill residents.)

• **A Defect**—The other doubt on the future of urban redevelopment has nothing to do with Cole or the GOP; it rests, rather, on what some housing officials consider a defect in the act itself. The provision they cite is, however, strongly supported by Cole and the GOP: that maximum opportunity must be given to private enterprise.

Already two state supreme courts—in Georgia and Florida—have held state enabling acts unconstitutional on the ground that the state power of eminent domain can't be used to acquire land for resale to private developers.

Planning officials are fearful that such challenges may spread. They feel that the law should hold up, on the basis that slum-clearance in itself is a sufficient public purpose to justify exercise of eminent domain, regardless of who buys it. But they're afraid too many courts may disagree.



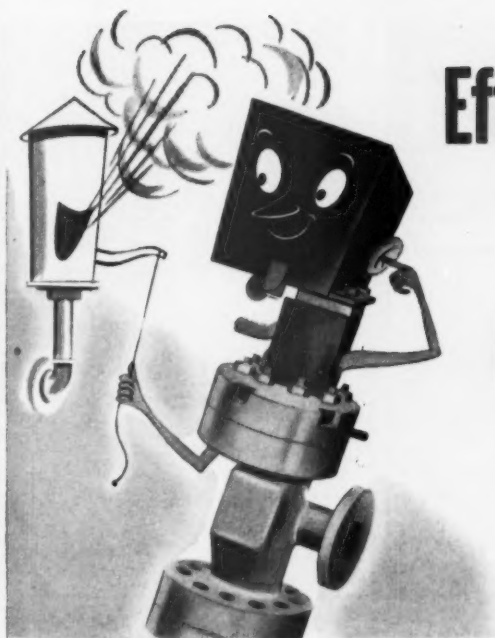
to create new industrial sites.

New Industry

of the others is a Navy pier, and the third is being used half as a parking lot (picture, page 84) and half as office space leased out to the Navy. Last fiscal year, the total cargo handled through the San Diego port was only 1.8-million tons. Less than half of that was handled over San Diego Harbor Dept. docks; the remainder was made up of petroleum products barged in to wholesale outlets from Long Beach and fish brought to fish piers.

• **Traffic Potential**—John Bate, port director for San Diego and the main spring behind the drive to develop the port, sees plenty of opportunity to build commercial traffic in the bay. In outgoing cargo, of which San Diego has practically none now, he forecasts cotton, canned goods, agricultural products from California's Imperial Valley and from Arizona, and sulfur and salt from northern Mexico. On the import side, he expects San Diego to handle fertilizer for the Imperial Valley, autos, more petroleum products, cement, chemicals, lumber, newsprint, and steel.

• **Four Cities**—The problem of port development in San Diego Bay is complicated by the fact that the bay front is controlled by not one city but four—San Diego, National City, Chula (pronounced Coola) Vista, and Coronado. Unless these cities deed their control of waterfront properties over to some over-all agency, there is bound to be bickering over which city should get



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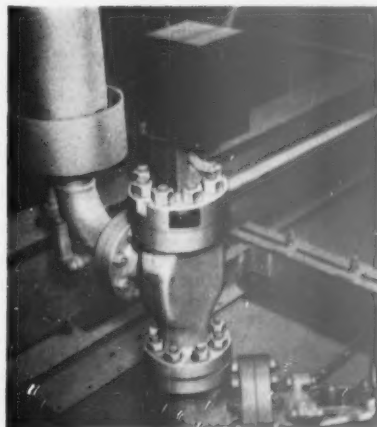
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PORT DEVELOPMENT plan is to dredge out deepwater channel in south end (shaded area), dump the spoil on marshlands (shaded area)

San Diego Wants Authority to Dredge for N

This weekend, 125 San Diego (Calif.) businessmen will trek to the state capital in Sacramento to lobby for a bill that will let them set up a San Diego Port Authority. The authority device, they think, will help them shore up a lop-sided economy by attracting new industry and new commercial shipping to San Diego's port. They hope it will also help to hold one of the huskiest props to the city's economy—the U.S. Navy.

• **No Bulk**—Sheltered as it is from the sea and from the prevailing north-west winds, San Diego Bay is potentially one of the finest deep-water harbors in the world (map). But it doesn't have the stuff that makes a major commercial shipping port. There just isn't enough bulk cargo produced or consumed in the region, tucked away in the extreme southwest corner of the U.S., to make the port an important stopping point for cargo ships. What bulk there is can easily be handled at Los Angeles' big Long Beach-San Pedro port, only 130 mi. north by rail and highway.

• **Reason for Being**—Nevertheless, the bay is important to San Diego—the very reason for its being, in fact. Without the bay there would be no Navy in San Diego, and the Navy currently provides a \$178-million payroll to civilian employees in the area, not to mention what sailors spend ashore.

Without the port it is unlikely that there would be an aircraft industry in San Diego. One of the main reasons Consolidated Vultee Aircraft Corp. moved there from Buffalo, N. Y., was to have a warm-weather site on a harbor where it could test its hydroplanes.

It is the harbor, too, that makes San Diego the second biggest fish port in the country. And it is largely responsible for the region's recreation industry that brings in about \$85-million a year.

• **Unbalanced Economy**—But recreation and fishing are seasonal and uncertain industries at best, and Navy and aircraft employment react violently to the whims of international politics. Just before the Korean outbreak, San Diego was a depressed area, with 27,000 unemployed. Today it's labor-short again, as it was through World War II.

What worries San Diego businessmen is that their economy is entirely too dependent on war and warm weather. They want to keep the Navy and the aircraft industry, of course, but they also want to bring in new industry to broaden their industrial base, to take up the slack when defense demands ease up.

• **Double Trouble**—It has begun to look to some of them as if they may end up with neither the Navy nor new industry. The Navy has showed signs of wanting to yank up moorings because

the bay is getting too congested. Only the crook in the north end of the bay is dredged deep enough for Navy ships and even that isn't wide enough to turn a battleship or one of the new Forrestal-class aircraft carriers. A year ago, the Navy really gave San Diego businessmen a chill when it transferred three carriers, 21 destroyers, and other vessels for a total of 65 from San Diego to Long Beach.

The problem in getting new industry is that there aren't enough attractive building sites available. There's plenty of room on the inland side of the city, 8 or 10 mi. from the bay. But the rail and highway services that industry wants run along the bay shore, and there's almost no room on the bay to build. As the map shows, the bay front is mostly taken up by city development or Navy installations or aircraft plants; what isn't built on now is marsh.

• **One Stone**—The neat solution to both these problems, San Diego businessmen think, is to dredge out more of the bay and dump the spoil on the marshlands. That will give the Navy the mooring room it needs and at the same time it will create new bay-front land on which new industry can build.

They hope, too, that it will have the corollary advantage of building up the commercial shipping business of the port. It's at a low level now. Of the three piers in San Diego, only one is being used for commercial traffic. One

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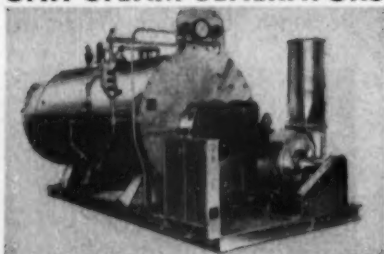
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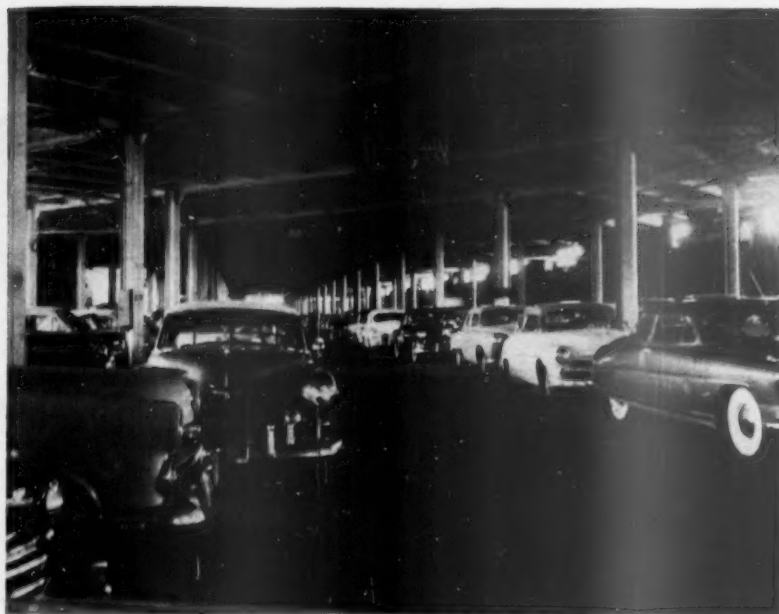
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CARS, NOT SHIPS, park at San Diego pier. Navy leases top deck as office space.

the benefit of created lands and the new industries that build on them.

• **Joint Interest**—This is one of the reasons San Diego businessmen favor setting up a San Diego Port Authority. If the authorization bill is passed by the state legislature and signed into law by Gov. Earl Warren, propositions for creating the authority must be voted on by each of the four cities and passed by a majority vote. At that point the four cities would transfer control of all tidelands (which, by California law, means all land lying seaward of the natural mean high tide line and thus includes all filled land) to the authority.

• **Federal Aid**—Another, perhaps more important, reason for creating an authority to do the development job is that it would ease the way for some kind of federal aid for the project, and federal aid would probably be necessary, considering the scope of the plan involved. Only about 9 sq. mi. of the 22 sq. mi. of San Diego Bay has been dredged deep enough for deep-water ships—a minimum depth of 36 ft. at mean low tide. The rest of the bay tapers up to a depth of 6 ft. or less. It would take a lot of money and a lot of time to dredge up the Chula Vista and National City waterfront areas—not to mention building up tidelands with the spoil.

Bate estimates that the job would take a maximum of 30 years and would cost about \$60-million—\$40-million for dredging and \$20-million for shore improvements.

• **Dollar-for-Dollar**—In 1939 San Diego got Congress to appropriate \$12-million for dredging San Diego Bay as a national defense project. "I don't

expect, and neither does anyone else, that we will ever get a handout like that again," says a Chamber of Commerce official. He does think that, with a responsible over-all authority, Congress could be persuaded to match, dollar for dollar, money that the authority could raise from a bond issue for dredging purposes.

From a financial point of view, the authority plan looks feasible. The authority would take over all properties of the present San Diego Harbor Dept., which has an annual income of about \$1-million. About \$400,000 of this goes for administration and operating expenses of the department's two piers. The remaining \$600,000 could be used to pay interest on revenue bonds. The only bonded indebtedness the authority would take over would be the remaining 10 years on an original \$5-million. This costs about \$60,000 a year now.

• **Uncertainty**—The big question is whether the member cities will want to go through with the plan. The Chula Vista City Council has already formally endorsed the Port Authority proposal. The rest are still uncertain. Coronado's city council has indicated informally that it does not favor the plan. This isn't regarded as serious, since Coronado's tidelands would be devoted only to recreation; their absence does not hamper business development.

But there are signs that the city councils of both National City and San Diego itself may oppose the plan. However, the consensus in San Diego is that the city council will pull in its horns in response to pressure from the business community.

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NAMES & FACES



WHEELOCK BINGHAM, president, fights the problem of sheer size in seeking . . .

New Life for Giant Macy's

Wheelock H. Bingham, the president of Macy's New York, faces what a former Macy man calls "one of the most fascinating business problems of our time."

This, roughly, is what confronts him:

The department store business is in trouble as a whole. Widespread changes—social, economic, and competitive—have caught up with it, with the result that today it is eaten up by costs and is losing its share of the total retail market.

Bingham's own store, probably the biggest of them all, is in perhaps the greatest difficulty. Its unwieldy size, the tough competition, and a changed economic era have reduced the great power it built up with the famous

Macy pricing policy of under-selling everybody by 6% for cash.

• **Too Big?**—"The job to be done at Macy's is probably beyond the capabilities of any individual," says a former colleague of Bingham's. "But if anyone can handle it, Bingham's the man."

Bingham, needless to say, while he might appreciate the compliment hardly agrees with the sentiment.

"Nobody," he says, "need think that the department store is going to go out of business. It is a unique institution—the only place where the customer can find everything under one roof."

• **Careerist**—Bingham took over the huge institution on Herald Square, with its several branches in and around New York City, eight months ago.

He came East from California last August, where he had headed the R. H. Macy & Co. store in San Francisco. A career man at Macy's, who began his business life on the famous Macy training squad for junior executives, Bingham had not yet turned 45 when he succeeded Richard Weil, Jr., as head of the New York operation (BW—Mar. 22'52,p32).

If there is one word to typify Bingham in the minds of his associates it is "sound." "He's a highly competent merchant with an eye always on the fundamentals of merchandising," says one man who worked with him in earlier days.

• **Costs**—Whether these are the qualities needed to turn the trick remains to be seen. The problem facing department stores is a big one. Those huge downtown plants with all their departments, employees, and services have become more and more costly to run. Other forms of retailing, particularly chains and supermarkets that work on a smaller margin, have taken business away. Slowly but surely the department store, leaning heavily on its own brands, found that national brands were becoming more important. The department store has tended to upgrade itself, moving more and more out of the mass-merchandising class. At the same time there has been a basic dislocation as people have moved out of the cities into the suburbs.

All this, with its consequent squeezing of department store profits, fails to shake Bingham. He is staunchly opposed to tampering with the basic nature of the department store. He will not tolerate throwing out unprofitable lines, such as appliances, a measure of desperation adopted by many stores.

• **Service**—"I think this is wrong," he says. "We must stay in any category of goods in general demand. If other types of stores are doing a better job than we are, then we'll have to go after the business in terms of service, personal selling, and the other things that department stores can offer."

In one respect, however, and it is an important one, Bingham does represent a changing era for Macy's. He says:

"The retailer by tradition has been interested in things. I think we should be interested in people."

This implies that if not revolution, then evolution, has taken place at Macy's. Basically, Bingham is not concerned with pricing or with merchandise, the rocks on which Macy's was built, but rather with people, both as customers and employees.

When Bingham says, "I think the

How much money are you leaving on the highway?

- **How much** are you paying for tire mileage you don't get?

Last year, industry's bill for this kind of waste ran into millions.

And there's a good chance that you paid more than your share of it—unnecessarily!

If you're concerned with the cost of your company's truck operation, it will pay you to consider the following carefully—to make sure that these three costly mistakes are not *your* mistakes.

1. "It's not important"

Don't low-rate your tire costs! Too many companies find it easy to lump these costs into a general category like "truck maintenance expense"—and then forget them. *Actually, tires are one of the biggest cost factors in your trucking operation!*

Unimportant? You can easily waste, or save, several hundred dollars on a single truck and trailer in one year!

2. "Systems are too costly"

Does your company consider systematic tire maintenance involved and costly? Well, the Kelly-Springfield system is not only easy to utilize, *it will pay for itself many times over!*

For example, improper inflation alone can cut your tire wear in half. So can the practice of loading trucks beyond rated capacity. And improper control of truck speed, load distribution, matching of dual-mounted tires, care of truck axles, springs, brakes, etc., are equally costly.

You needn't be an expert to control these factors. Kelly dealers can supply

the data for a modern Tire Economy Control system without cost to you and also provide expert fleet service.

3. "All tires are alike"

A fallacy, of course, but this belief costs truck operators millions of dollars every year!

There is, in fact, a big difference in tires, both in function and quality. To get the type of tire exactly right for your specific requirements, it's wise to choose "job-designed" tires.

And to get the right tire qualities for optimum performance, Kelly, with 59 years of experience in the field, offers the suggestions shown below, for use as good standards of comparison.

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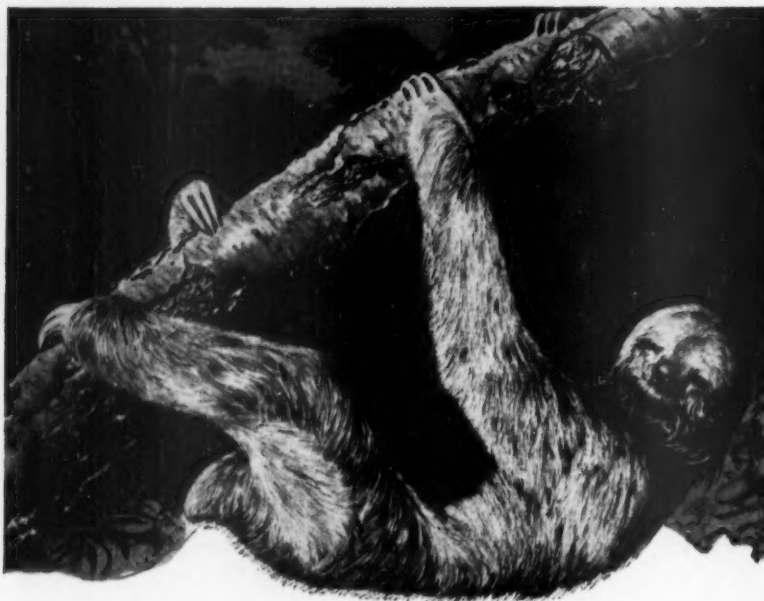
Proof! See how you can get maximum value for your tire dollar!

Let your Kelly dealer help you to get started on a modern tire economy program right away. Hundreds of case histories from companies of every type and size *prove* that amazing economies can be made simply by choosing the right tires and maintenance procedures.

- **So act now!** Get the facts that can help you wipe out waste and bring maximum efficiency to your trucking operation. Send for Kelly's Data Book on systematic tire maintenance and the valuable, factual Case History booklet—both absolutely FREE! Write The Kelly-Springfield Tire Company, Cumberland, Maryland.



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for every
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way customers are treated in the store is more important than the merchandise you have to sell," a new era has begun for Macy's.

• **Yankee-Bingham** actually came up through the traditional merchandising route. Born in Boston on Nov. 28, 1907, of a thoroughly New England family that traces back to the earliest Bingham to settle in Connecticut, he entered Harvard in 1925. But he stayed only a year. During the summer of 1926 he worked in the Herald Square store; when fall came he simply stayed on.

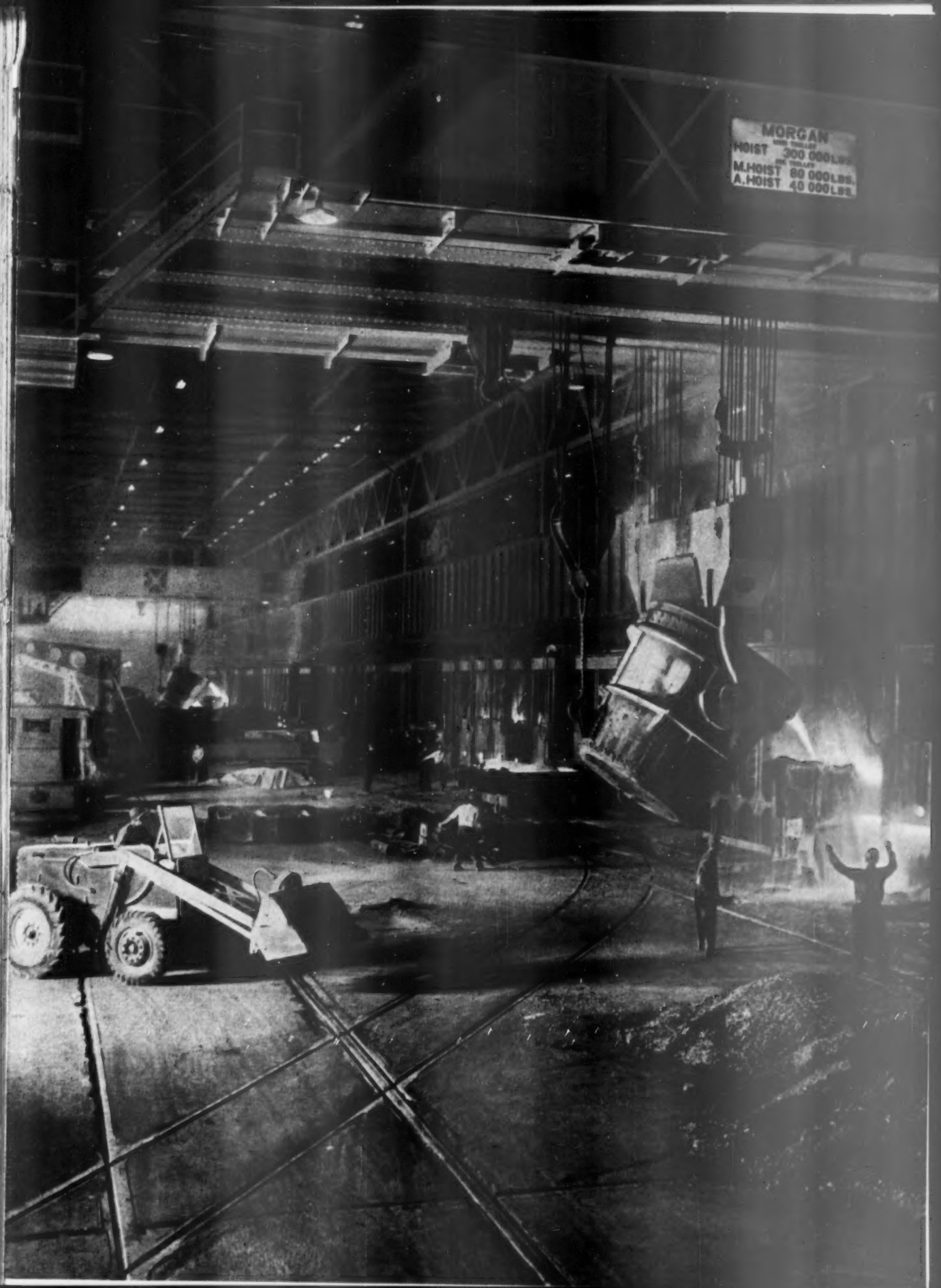
From then on his progress was steady and encouraging. In 1928 he was made assistant buyer of men's furnishings. In 1934 he went to L. Bamberger & Co., the Macy branch in Newark, N. J., to become merchandise manager of the men's division. In 1943, when he left to enter the Navy as a lieutenant, Bingham was a vice-president of the New York store in charge of the men's group and other divisions.

• **Navy Job**—Bingham's three years in the Navy had considerable influence on his career. His first job was in Philadelphia, where he was a key figure in the setting up of the Aviation Supply Office, the agency that maintains spare parts and replacement parts for naval aircraft. A man who knew him in those days says, "You simply wouldn't believe the overlapping in the air arm before he took over." One juicy illustration of the kind of thing Bingham corrected was the discovery that the Navy was ordering the same electrical cable in no less than 150 different lengths.

James Forrestal, then Secretary of the Navy, came to rely heavily on Bingham for trouble shooting in the supply system. It was at Forrestal's insistence that Bingham set up the Navy's Ship Store Office, also in Philadelphia. The system he set up for warehousing, distributing, and retailing the uniforms, insignia, and accessories that men buy aboard ship eventually came to be called the "Bingham Plan."

• **Rival Bid**—According to insiders, another major department store chain became interested in Bingham during the war years, made him an offer to take over one of their big stores. That spurred Jack Straus, president of the parent organization, R. H. Macy & Co., to make a counter offer. The chain had just bought a famous old San Francisco store, O'Connor, Moffatt & Co. (BW—Jul. 14 '45, p. 32). Straus offered the top job to Bingham, who accepted.

Using a small cadre from the New York store, Bingham assembled a new staff of young men, many of whom had no previous experience in retailing. It was, according to one observer, a "crackerjack" staff with, however, one defect: "We had so many naval reservists that we suddenly realized that



MORGAN
HOIST 300 000 LBS.
M.HOIST 80 000 LBS.
A.HOIST 40 000 LBS.

if the Navy called up the Reserve, San Francisco was through."

For his tact Bingham recently got still another high grade from a second observer:

"Bingham did a fine job casting the San Francisco store into the Macy mold. O'Connor, Moffatt's was a beloved old San Francisco institution, a trifle seedy perhaps, as though it were a dry goods store that never quite made the leap to full departmentalization. But the oldtimers couldn't have loved it more had they owned it.

"Bingham was careful not to disturb the tradition. He was slow to ease the old name aside for the new. The modernization and expansion were handled without alienating the old customers, who were prepared to resist this hucksterish outfit from the East."

• **Gains**—Bingham left behind him a Macy's San Francisco doubled in physical area and quadrupled in volume—and a rival merchant who would say he regarded Bingham as "an energetic but wholesome competitor and an exemplar of devotion to civic duty."

If there were any reservations about him among the staff in New York, he quickly dispelled them. Tact again did the trick. His first appearance before his staff came shortly after his arrival, at the October sales meeting in the Hotel Statler. Said one man who was present, "Bing got up and, bless our souls, if he didn't praise the job we had done. In retailing you don't often get thanks for anything you do."

• **What's Ahead**—Where is Macy's heading under Bingham?

You can get some sense of direction by reviewing the things that he has already accomplished in his eight months in New York.

Bingham looks on Macy's bigness, its sheer size, as his No. 1 problem, and there is little doubt that bigness in the magnitude of Macy's indeed creates some staggering obstacles. Whether or not it is still the world's biggest store in volume—J. L. Hudson in Detroit is reportedly running neck and neck with Macy's—the Herald Square store is nevertheless a huge place. It sells a rumored \$150-million in goods yearly, normally employs 11,000 people. Its executives alone number approximately 1,500.

• **Communications**—It is no wonder that Bingham says, "One of the biggest problems in industry today is communications." It is certainly one of his biggest problems, and he has readied a program to do something about it. All Macy's executives have been divided into groups of 15, chosen at random to mix nonselling and selling personnel. Each group meets once a month with this purpose, in Bingham's words: "to make recommendations, resolve problems or areas of ambiguity,



"An eye always on the fundamentals of merchandizing."

and request additional information or assistance."

Bingham treats this program very seriously. He makes sure that, when questions are raised, answers are given. He goes over transcripts of some of the sessions himself and recently spent two hours discussing them with the Macy executive committee. A few days later he spent another hour discussing points with the second-line administrators "so that they could understand what the third- and fourth-line people are saying."

• **Customers**—But the problem of bigness at Macy's goes beyond just internal communication. It also affects its relationship with its customers. The store is too impersonal, too tied up in red tape, too hard to find your way around in. "Our objective," says Arthur Manchec, vice-president for operations, "is to make the store seem small to the customer."

So Macy's is tackling the human problem, hoping to make it a more friendly, helpful place. It has just launched a major training program called "Sell-crama," which according to Bingham has a fourfold purpose: "to create individual initiative, to improve selling, to recognize the importance of the customer, and to raise the status of selling to a profession."

It's a basic, down-to-earth type of program, involving dramatic skits, manuals, displays, other techniques. Here Macy is making use of its executives as a faculty.

• **Personalized**—The program underscores Bingham's own convictions about the nature of the department store business. In the contest with the supermarkets and other low-cost methods of distribution, Bingham says, "I fall back on the principles of wide assortment and personalized selling."

This doesn't mean, however, that

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And behind it all, to shape and guide today's operations, are J&L's one hundred years of steel-making experience—assurance that J&L stands ready to meet the challenge of tomorrow!

Charging J&L's Open Hearths

A symbol of J&L's capacity for progressive, scientific steel-making is this eleven-furnace open hearth shop at Pittsburgh.



Color photo by d'Arazien

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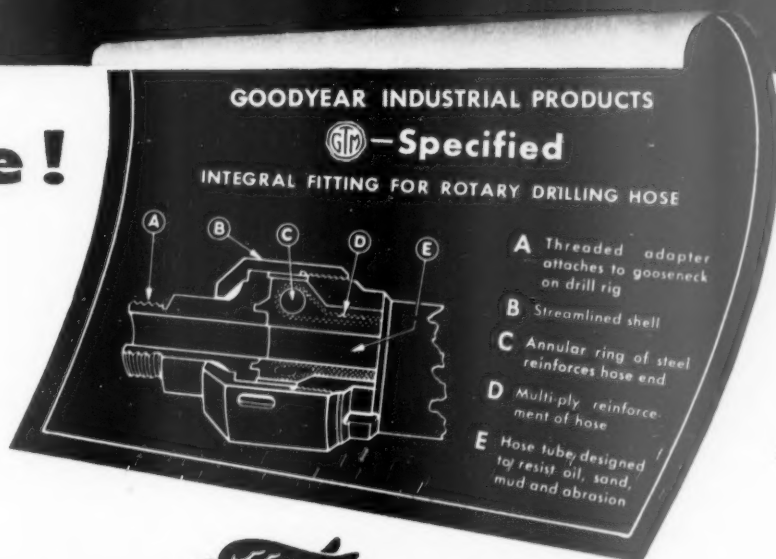
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your furnace !

man who knows rubber best. Call in the G.T.M., or write Goodyear, Industrial Products Division, Akron 16, Ohio.

YOUR GOODYEAR DISTRIBUTOR can quickly supply you with Hose, Flat Belts, V-Belts, Packing, Tank Lining, Rubber-Covered Rolls. Look for him in the yellow pages of your Telephone Directory under "Rubber Products" or "Rubber Goods."



GOOD YEAR

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When your service man unreels the hose from his truck to fill your tank with furnace fuel, you see one example of rubber in action to help feed your furnace. But what you are seeing is only one link in the long chain of rubber uses leading all the way back to the oil fields.

The fact is, as the G.T.M.—Goodyear Technical Man—can quickly tell you, it takes more rubber to produce oil than it does to turn out almost any other essential product. Step by step, from the huge armored hoses of rubber that play a vital part in the rotary drilling operation bringing in new wells through rubber pump gaskets and

valves that raise the oil to the surface, you'll find rubber at work in the oil fields.

Almost every machine — such as the drill works, the pumps, boosters on the pipe lines—is driven by V-belts or flat belts. When oil is shipped in tank cars, trucks or ships, giant suction and discharge hoses are used to unload the crudes or refined products. And so on all the way from oil deposits below ground to the tank that feeds your furnace.

Yet in spite of this heavy use of rubber, the strange fact is that the greatest known enemy of rubber is petroleum and its derivatives. That's why the

G.T.M. has designed special hoses, formulated special compounds of oil-resistant rubber for use in the petroleum industry. These special forms of rubber are so made that they don't swell, flake off or deteriorate in the presence of oil products—assuring longer, more trouble-free service when they are built into the many products used in the petroleum industry.

In every business—your own included—the G.T.M. can help with any problem involving putting rubber to work. In any of its many forms, where rubber can do old jobs better or new ones that have never been done before, it pays to discuss the possibilities first with the

"... Bingham says Macy's will go ahead with an expansion program ..."

MACY'S starts on p. 86

Bingham writes off self-service, or what the department stores prefer to call "self-selection." What Bingham does believe in is the modified application of self-selection to department stores, or what Macy's calls "simplified selling." In general, this is a program whereby the functions of personnel are broken down wherever possible to increase efficiency; new fixtures are used to display merchandise in the open; directional signs are employed to help people find things.

This process of converting to self-selection is a part of a larger program now under way in the Herald Square store. It's a major program of modernization. Just how big in terms of dollars, Bingham doesn't say. But he does admit that it will take three or four years to complete and is a "really big program."

• **Expansion**—This in turn raises the problem of branches. What about them?

Again, Bingham says that Macy's will go ahead with an expansion program but offers no details as yet. His thinking, however, runs along these lines: The downtown store will always be "the big show" in the business, no matter what happens to the branches. In fact, Bingham is in favor of using all the inherent dramatic possibilities of the big store to their fullest extent. He believes in putting on the kind of lavish presentations—like the Italian show (BW—Sep.15'51,p169)—for which Macy's is famous.

Nevertheless, he feels that "in a fair number of years" department store branches will be doing as much business as the downtown store, perhaps even more. In line with this thinking, Bingham, in a major organizational change, appointed a third merchandising vice-president, releasing one of them—Murray Graham—for almost full-time attention to branches.

Will Bingham succeed in his assignment? A big and expensive job lies ahead of him—some think too expensive for Macy's profit-squeeze. But no matter how it comes out, one thing seems pretty certain: The character of Macy's is being permanently changed. The big question at this point appears to be whether you can carry out the process of upgrading that Bingham plans and still remain a mass-merchandiser. But as far as this problem goes, Macy's is in no different position than most department stores. Its difficulties merely differ by extent and depth.

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ture of the brazing furnace often caused abnormal growth of the steel used for the hub section of the coupling, which resulted in distortion of the vanes and cracking at the brazed joints.

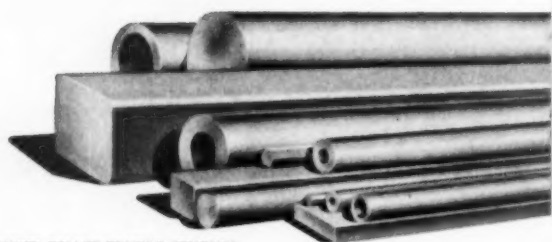
The problem was studied by metallurgists of The Timken Roller Bearing Company. They recommended a certain analysis of Timken alloy steel, specially heat treated for this application. And it proved to be the answer.

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The CIO News

WASHINGTON, D. C., MARCH 30, 1953

No. 13

Annual Wage Set As Major Goal By Auto Workers Convention

UNITED AUTOMOBILE WORKER

The guaranteed annual wage is now at the top of our collective bargaining agenda. The last Convention so decided, and the preparatory work called for by that Convention is now well under way.



Management's New Problem

Almost every week, you will find important news centering around an idea or a situation that has a long history and a complicated theory behind it. To understand the news, you need to know what happened not just this week but perhaps 10 years or 20 years ago. The purpose of this new department is to fill in the background on these subjects as they emerge from the news. This week, as the headlines indicate, the subject is the guaranteed annual wage.

If you have a contract with your company that provides for your employment as director of industrial rela-

tions at \$30,000 per year, you've got—for as long a period as that contract covers—the guaranteed annual wage.

That's it in its purest and simplest form.

That is not, however, what the unions have been clamoring for in a growing chorus that may soon reach crescendo pitch. In autos, steel, aircraft, and rubber, management is already worrying about the seriousness of union guaranteed annual wage demands.

• **Still Pie in the Sky**—Although there are almost as many variant demands

ing worker income steady, consumer demand for products will be sustained at normal levels and will obviate the need for production cutbacks.

Some of labor's more uninhibited rhetoricians, of whom Walter Reuther may serve as exemplar, have been frank to say that industry needs a serious economic incentive before it will tackle the problem of providing regular employment. Reuther wants the annual wage guarantee largely because, he says, it will transfer the cost of unemployment "from the backs of workers on to the backs of industry."

• **Workers' Support**—No scientific survey has yet been made of the rank-and-file labor attitude toward annual wages. It is widely assumed that the average wage earner strongly supports the principle; that he considers it something that will bulwark his economic security and give him status equal, in one respect, to the salaried man.

The intensity of such support is, of course, impossible to calculate for any useful purpose. It must be taken for granted that union members will welcome any such gain coming through no expenditure on their part of strike-lost pay.

• **Distant Goals**—Annual wage proposals that have been seriously discussed in important union-management negotiations have, thus far, been pale imitations of labor's ultimate goal. Last year, for example, in the big negotiations in steel, the CIO asked 30-hours pay per week for 52 weeks for employees with more than three years' seniority—from this to be deducted what the employee received in state unemployment compensation. The union wanted this to be financed through company payments into a trust fund, and would have been content to limit the company's liability to the sum accumulated in such a fund.

If history is any guide, it is probably as a supplement to state-provided unemployment compensation that management will first experiment with annual wages. This is what happened with pensions, which had their great development as supplements to social security.

• **Generators**—The steam that is currently behind union guaranteed annual wage demands comes primarily from three sources. It's been talked about and encouraged for many years in labor circles and simply the passage of time has given it a seriousness it lacked in earlier periods. Second, it's been a favorite aim of Walter Reuther, who has fed the appetite for it among the auto workers and who now, as new president of the CIO, will sell its desirability to a larger labor universe. Third, and most important, an economic environment making annual wages something short of prohibitively expensive to industry is not calculated to last forever.

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coming under the head of guaranteed annual wages as there are unions making them, no labor organization has yet asked the employer to sign individual contracts with his employees guaranteeing them an annual income.

The closest any of them have come is to ask that a clause be added to the collective bargaining agreement that will bind the employer to guarantee employees covered by the agreement 2,080 hours of work a year (40 hours x 52 weeks) and pay them their regular rate. This means, of course, that if work is slack and the 2,080 hours on the job cannot be provided, the employer will pay just the same.

This is what organized labor has its sights on when it talks of the "guaranteed annual wage goal."

• **More Complicated**—To understand that, however, is just a beginning. For like the union drive for pensions, the broad objective is easy enough to see. But such factors as economic opportunity, bargaining strength, individual company attitudes, politics, and the higgledy-hoggedy of negotiations can twist the broad objective into practical settlements that have only semantical resemblances to the original demand.

Thus unions, and companies too, have claimed guaranteed annual wage achievements in plans and programs that provide nothing of the sort. A 1952 study by the U.S. Bureau of Labor Statistics of 184 labor contracts containing clauses that could be represented as wage guarantees found most of them hedged with so many qualifications as to make them meaningless.

Some, for example, permitted the employer to cancel the guarantee unilaterally under certain circumstances—such as fire, accidents, acts of God. Others make the guarantee contingent on maintaining sales of the company's product at a specified level, on continued profitability of the enterprise. Some permit arbitration if the employer seeks relief from the guarantee.

• **Terms Vary**—There is similar variety in the forms that existing plans take. Some provide straight unemployment compensation—that is, subsistence payments at considerably less than the "working wage" level when no work is available. Some are part of company spread-the-work programs. Some provide for employee loans against future wages when a layoff is protracted. And some are attached to company profit-sharing or wage-incentive programs.

• **Hormel's Plan**—Perhaps the best known of existing plans is at Geo. A. Hormel & Co. It was inaugurated by the company in 1931 and has since been written into the contract with CIO's Packinghouse Workers Union. In some ways it comes closest of any known plan to the labor ideal.

Hormel pays workers 52 times a year,

at their hourly rate, for a 38-hour week, irrespective of actual time worked. When it works its employees over 40 hours in any one week, it does not pay overtime or premium rates. Just as pension plans approved by the Bureau of Internal Revenue get certain tax advantages, so annual wage guarantees meeting standards set by federal regulations earn employers immunity from paying statutory overtime premiums. Hormel estimates it saves 2% of its payroll costs with this exemption. It figures that its guaranteed wage plan costs approximately 4% of its basic payroll.

• **Objections**—Cost—and principle—have been employers' chief objections to annual wages and account for the widespread and tenacious resistance to this now-standard labor demand. Had the annual wage guarantee been in effect for the 260,000 employees of U.S. Steel in 1937, that company estimates that its total cash and securities in quick assets would have disappeared in 1938, and by the end of 1939 would have been converted into a \$110-million deficit.

• **Exceptions**—Employers in durable goods lines maintain that spread-the-work arrangements that may be feasible in consumer goods industries—thus providing an approach to regular annual employment—cannot be applied in their fields. They protest their inability to shift product or accurately forecast fluctuations in demand.

The case against annual wages is pretty well blocked out. It is contended that such guarantees would sharply limit the ability of management to make rapid adjustments to meet changing conditions; that maintaining high payrolls in times of declining demand for goods and services would quickly dissipate reserve capital, freeze credit, inhibit the investment of risk capital, and lead to bankruptcy; and that the economic situation that would bring these factors into play would soon turn into a slump after which—though it might be temporarily deferred by wage subsidies—widespread unemployment would create depression conditions more severe and protracted than otherwise.

• **Labor's Stand**—To these and sundry other such contentions labor spokesmen have ready, though not always apt, answers. Primarily, they view the annual wage as a natural next step in the development of workers' security—following directly the establishment of the right to redress grievances, the principle of seniority, and the principle of employer responsibility toward the superannuated worker that is acknowledged in pension programs.

On economic grounds, the annual wage justification rests on labor's favorite economic maxim: Keep purchasing power up. It is argued that by hold-



... this landmark in Yarmouth, Mass.

with the Times

lion in 1953 on new building, plus remodeling jobs. Nationally, new churches have been built at an average rate of 150 to 200 a year. As of last August, 316 churches to cost \$39-million were under construction, averaging a cost of \$123,762.

United Lutheran. According to the church's Board of American Missions, a new church has been started every eight to 10 days for the past five years.

Protestant Episcopal. Applications to the American Church Building Fund Commission for construction loans are running ahead of last year's record, which was nearly 50% ahead of 1951.

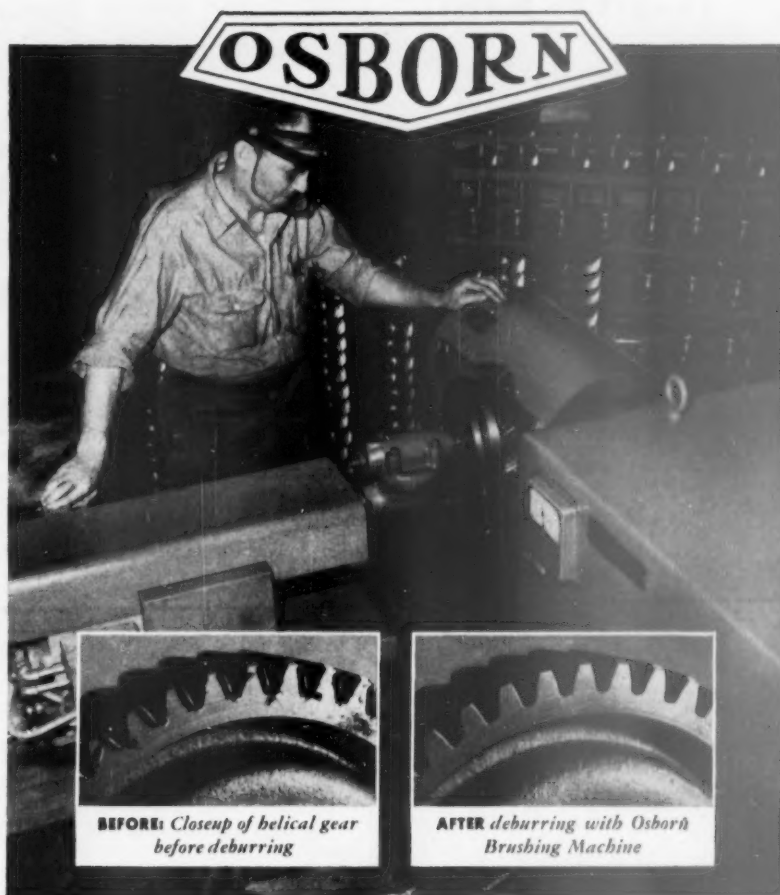
Methodist. At its last national conference, the church estimated a four-year need of more than \$219-million for construction of 1,500 new churches. The conference mapped a four-year need for loans totaling \$70-million.

American Baptist. The convention next month will be asked to open a campaign for \$8-million to augment local church funds in the next few years.

Evangelical and Reformed. A fund of \$1½-million has been raised.

Congregational. A three-year campaign is under way for \$4½-million additional for the construction loan fund, which is now \$3½-million. Part of the \$8-million total will subsidize operating expenses of new churches.

Presbyterian. The church is rounding out a drive for \$12-million, of which



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Churches: Spending Billions to Keep Up

The businessman who paid his one annual visit to church last Sunday probably doesn't think of a church as a business entity. Yet beneath the spiritual being of a church lies a foundation of everyday business operations: buying, hiring, budgeting, fund-raising, borrowing. And—not the least these days—planning for a future in a changing society.

All this affects the businessman two ways: as a member and supporter of the church and as one who does business with the church.

• **Spending Power**—Because a church usually runs on a budget that's modest by business or government standards, its purchasing power seems small. But the spending power of thousands of churches adds up to a surprising volume of business.

National figures are hard to come by, especially for the multitude of self-governing Protestant churches. Denominations keep records with varying degrees of completeness; some national offices know little about the fiscal affairs of the congregations. Yet some figures are obtainable, and they're impressive.

For example, a 1949 survey of Roman Catholic spending plans revealed an investment program of \$10-billion in 1945-54 for new Catholic hospitals, schools, and churches—shared in that order.

And 39,906 Methodist congregations

in the U.S. spent \$290-million for all purposes during 1952. Of this total, more than \$83½-million was for building improvements and new buildings. Value of buildings and equipment in Methodist churches now stands at \$1½-billion, plus more than \$205-million for parsonages and their furnishings. This is big business.

I. Building Plans

The church as buyer of goods and services takes on new importance in the current building boom. This boom is based on three pressures:

- A backlog of long overdue additions and repairs, delayed first by the depression and later by World War II. "We still have a quarter-century of overdue repairs and remodeling," says one churchman.

- An over-all growth in population—and church membership.

- The dislocation of population—more than 70-million Americans have changed residence in the past 10 years. Whole new towns are popping up in defense areas, at atomic energy plants, at power and irrigation dams, in new oil fields. Besides, city population is moving to the suburbs, and churches must move too.

- **New Needs, New Styles**—These days, churches are developing much as new schools are and in much the same lo-

calities. As the pictures (pages 100 and 101) show, some churches are departing spectacularly from traditional architecture. And even where the design may be traditional, the interior and equipment of a new church are vastly different from 50 years ago.

In some cases, such as Roman Catholic churches in at least one region, design has been simplified to make buildings more functional and to stretch the construction dollar. Most Protestant churchmen, however, say their new buildings are far more complex—and expensive—than in the past.

For example, instead of one large Sunday school room, a Protestant church today is likely to have a whole wing of classrooms for church school. Ventilation, lighting, electrical wiring, facilities for motion pictures and slide films, community recreation rooms are all more elaborate.

- **Construction Volume**—Late last year the Depts. of Labor and Commerce predicted \$425-million in church construction during 1953 (BW-Dec.13'52, p122). Church building planners regard this as nothing more than an informed guess. If anything, it's on the low side, they think.

To get any general picture, you have to collect a mass of jigsaw pieces, like these:

- **Roman Catholic.** The New York archdiocese alone is spending \$40-mil-

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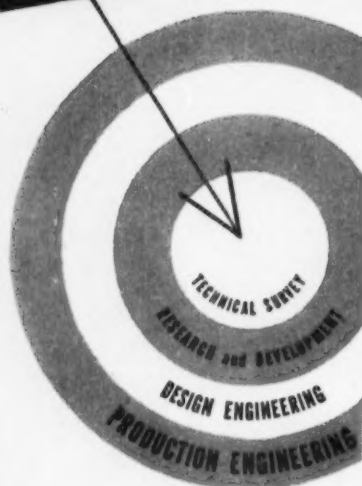


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"... for several Sundays,
trustees ran the vacuum
cleaner, dusted pews..."

CHURCHES starts on p. 100

about \$8-million will go directly into construction.

In all cases, the Protestant church building funds reported are sums set aside to help local congregations with their projects—they don't represent total building activity of the various denominations. In fact, church spokesmen stressed that in many cases the first knowledge national headquarters has of a church construction project is from a clipping reporting dedication of a building. Many churches finance construction entirely out of their local funds.

II. How a Church Operates

To understand how a Protestant church governs itself, look at a typical church in the outskirts of a medium-sized city.

Its business affairs are run by a board of nine trustees, men of assorted backgrounds: two insurance men, a hardware storekeeper, a chemist, two salesmen (one of steel, one of electrical motors), a factory worker, a civil engineer, and a top official of an aircraft plant.

These men are responsible (1) for raising enough money to operate the church and (2) for spending it through the year. They work on an annual budget of from \$15,000 to \$18,000.

• **The Building**—The church edifice was built of brick and stone in the late 1880s, at a cost of \$40,000. It is now valued at \$160,000; its hand-hewn wooden beams and the interior woodwork of virgin ash are irreplaceable at any price.

The church was built in what was a smart residential section and it used to draw from an affluent class of society. Now the city has grown past the once-smart residential area. The church is now surrounded by seedy rooming houses that try hard to maintain their proud front but don't quite make it.

• **The People**—This type of neighborhood serves as a port of entry to many newcomers to the city, who move on to their own homes in the suburbs after getting well established. During the war, this typical church made a vigorous effort to bring in these newcomers, as new blood for a dwindling congregation. The church was moderately successful, and some of its new members remained loyal even after they had moved to the suburbs.

The congregation is now a mixture of old, conservative members who cling to traditions, and young couples who

favor new ways. The younger element is gradually moving into a majority.

This change is reflected in the board of trustees. In 1949 there were seven old-timers to two young men. This ratio was exactly reversed in 1951. And now there are eight young members on the board—young in affiliation with the church if not in years (two are in their 50s). The only older trustee (the steel salesman) is regarded by the others as a worrier—his chief concern seems to be whether or not delinquent pledges are being collected—yet the board works well together as a team.

Total membership of the church is about 400, with 150 actively participating in congregational affairs.

• **The Budget**—The 1952 budget amounted to \$15,500, plus a benevolence budget of \$4,000 for spiritual programs, membership in church councils, and missionary work. Receipts were: \$13,500 from individual pledges by members (of which 95% are collected), a little over \$1,000 in special gifts of individuals and church organizations, about \$500 income from trust funds. Where receipts fall short, spending has to be pruned.

The largest item of disbursements in 1952 was \$5,400 to the pastor for salary, rent, transportation, and annuity fund. Another \$2,300 went for music: about \$1,000 for an organist and the rest for soloists, sheet music, and organ maintenance.

About \$3,500 was spent for operation of the building itself: \$1,600 for the custodian, \$1,000 for heating, nearly \$700 for repairs, nearly \$300 on mortgage. Operation of the church office cost about \$2,700, of which \$1,700 was salary of a part-time secretary. Miscellaneous costs ran to \$1,300, including \$700 in insurance premiums.

• **Costs Rise**—With much soul-searching and wallet-weighing, the trustees wrote a 1953 budget of more than \$18,000, a rise of \$2,500 over 1952.

They had to raise the salary of the pastor, who now gets \$4,200, plus \$400 for use of his car on church business, about \$150 contribution to his annuity fund, and \$70 a month rent on his house. The church is now shopping for a parsonage.

They also had to allow more for a custodian. Last year their man quit, and they couldn't get a replacement at \$35 a week. For several Sundays, trustees ran the vacuum cleaner and dusted the pews until they finally found a semi-retired man to serve at \$42.50.

About \$14,500 of the \$18,000 budget has now been pledged, and special collections at Easter and Christmas may add \$1,500 or \$2,000. The church is hopefully planning to refurbish the building for an anniversary a few years from now. But the trustees haven't yet figured how to raise the needed \$35,000.

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MANAGEMENT

Warrants for executives: Better than options?

WARRANT DEAL



1. In 1952 executive Jones pays company \$6,000 for 100 warrants giving him until 1958 the right to buy 10,000 shares at \$21 a share (\$210,000). Current market price is \$20 a share.
2. In 1953, the market price has hit \$30. The stock is worth \$300,000. Jones sells his 100 warrants for \$90,000.
3. Under a recent tax court ruling, Jones has a \$84,000 profit (\$90,000 minus \$6,000) taxable—not as income—but as long-term capital gain.

RESTRICTED STOCK OPTION



1. In 1952 executive Smith gets an option to buy 10,000 shares at \$19—95% of the market price (\$20).
2. In 1953, when the stock is \$30 a share, Smith can pick up his stock, netting him \$11 a share paper profit (\$30 minus \$19).
3. To make the \$84,000 Jones made, Smith would have to be able to buy 7,636 shares costing him \$145,084 (\$19 times 7,636).
4. AND, in order to declare it as capital gain, Smith would have to stay invested in the stock for another year.

Either Way It's a Capital Gain

Stock warrants have long been kicking around Wall Street—essentially they are negotiable certificates giving the holder the right (1) to buy a certain number of shares of a company's stock at (2) a set price within (3) a specified time.

They have appealed to some people as a highly speculative, but sometimes highly lucrative, way to deal in securities. Some are even listed on stock exchanges.

• **Tax Court**—Now, the stock warrants may become a popular device for compensating executives just as stock options have been in the past couple of years. That's because of a Feb. 20 Tax Court decision which—if it sticks—will mean that any profit on a warrant issued by an employer to an ex-

ecutive will be treated as capital gain, not as compensation.

The illustration above shows the difference between what happens in a stock warrant arrangement and in a restricted stock option deal. Both obviously have the capital gains advantage—which is a big factor to a high-salaried man who is figuring what such a scheme is worth to him.

Options have been treated as capital gains since 1950, when a new law specifically exempted them, with certain restrictions, from regular income tax treatment. Restricted options have become increasingly popular as a way to keep executives happy now that taxes take big bites out of their regular income (BW—Apr. 7 '51, p45).

• **Difficulties**—In the past year or so,

though, some roadblocks have been thrown up in the path of the stock options:

• They have been attacked in court as being unfair to stockholders.

• Accountants and the Securities & Exchange Commission are locked in a dispute which may make the options look so costly on a company's profit and loss statement that stockholder resistance will be intensified (BW—Apr. 4 '53, p85).

Another angle has been bothering some executives. If the gain on a stock option is to be sizable enough to make it worthwhile, the cost of acquiring the stock will be high, too. Financing can be a sticky problem for an executive who decides to exercise his option.

That's where stock warrants come in,

BUSINESS IN MOTION

To our Colleagues in American Business . . .

Those of us who can remember the automobiles and trucks of twenty or thirty years ago find ourselves amazed as we drive down the road, or walk along the street. Today's cars are so immeasurably superior to those we saw, and some of which we owned, years ago. For a long time the automobile industry has been notable for a number of vital contributions. It has put our whole nation on wheels, and has created a modern means of transportation that is so essential that the term "pleasure car" vanished long ago. It has provided employment for millions of us, not only directly in automobile factories, but directly and indirectly in the plants of suppliers of materials and parts, in garages, filling stations, road building, and so on.

Style changes often tend to obscure these economic aspects of the industry, and also to conceal the very real and sometimes amazing mechanical improvements that have been made. Once upon a time the automobile was a noisy, odorous, dirty and difficult contraption, whose owner had to go through a ritual of hand-starting, and be expert in emergency repairs. Women did not dare tackle it. Today it is quiet, clean, reliable, supremely easy to handle since many functions are performed automatically, so reliable that trouble raises eyebrows, and as comfortable as the living room sofa. You might call it a home on wheels. Women drive it as well as men, and neither needs to know what goes on in the chassis.

Years ago a tire manufacturer astounded the country by a guarantee of 5,000 miles; today it is common for a set of tires to go 25,000 miles and more. Carbureters, ignition, combustion chambers and com-

pression have been greatly improved for gas economy and smooth running. The electrical system is a public utility in miniature. Engine cooling is automatic and so is interior heating. Power steering, power brakes and automatic transmissions greatly reduce the effort of driving. You could expand this list many times just by studying the new cars in the light of the old.

What brought all this about? You might say, and properly, that it was made possible by the genius of designers, engineers and production men. But there are other factors. One is the eagerness of the American people to own good cars; to many the automobile is essential, and as a nation we always want the best. Another element has been competition, the American way of business life. More automobile companies have failed than have succeeded; those who survived did so by offering more for the money. After all, in the long run sales are the public response to value.

To us at Revere the automobile industry is a source of great satisfaction, because our sales to it run at a high level. The modern car contains copper and copper alloys in vital parts, the largest single item being the radiator. Our aluminum alloys are also growing in importance in the automotive field. Thus when we buy and drive the 1953 models we have a double feeling of gratitude, first for the really magnificent things they are. And, second for the fact that in all probability they contain pounds and pounds of Revere Metals which through their unique characteristics contribute to the reliable performance we have come to take as a matter of course in our cars.



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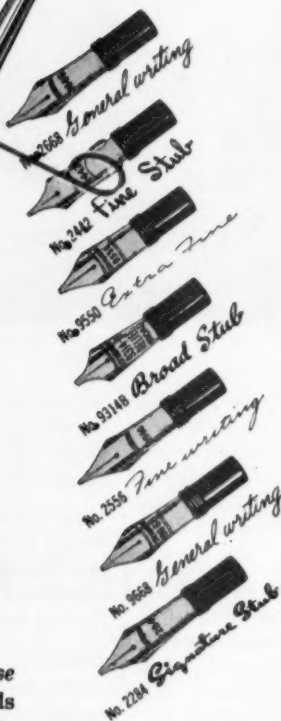
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"... the court held that the warrants weren't like an option at all ..."

STOCK WARRANTS starts on p. 104

now that there is a clear-cut legal decision that profit on warrants given an employee by his employer are to be considered as capital gains, not compensation.

• **Above Market**—The case that brought the Tax Court ruling is much like the one in the illustration. It involved the late Lauson Stone, president of Follansbee Steel Corp. In 1947 Stone bought 100 warrants from the company, each giving him the right to buy 100 shares of Follansbee common for \$21 a share. At that time, the market price of the stock was \$19.75.

Stone valued the warrants at \$60 each—or \$6,000. Actually, he paid the company only \$1,000 for them; he reported the \$5,000 difference as direct income for 1947.

• **Going Up**—About a year later, Follansbee, a fairly volatile security, had risen in the bull market as high as \$40.50 a share. In June, 1948, Stone sold 89 of his warrants at a moment when the price of the stock made them worth \$82,680.50. Here's how you calculate the deal: Say the stock was selling for \$31 a share when Stone sold his warrants. A buyer, in a quick transaction, could pick up the warrants for \$82,680.50, exercise them for another \$186,900, and then sell the 8,900 shares of Follansbee stock for \$275,900. He would come out of the deal with a quick \$6,319.50.

By the sale, Stone transferred the problem of financing the warrants to someone else. He reported a capital gain of \$76,790.50—the price he got for the warrants less \$5,890—their original value minus \$110 which the company refunded for the 11 warrants that Stone returned to it.

• **Income?**—The Bureau of Internal Revenue objected to Stone's claim of a capital gain. BIR wanted to count the \$76,790.50 as income, arguing that the warrant should be treated like the type of option that isn't included in the restricted stock option provisions—in other words, as straight out compensation.

BIR was knocked down on all points. The Tax Court held that the warrants weren't like an option at all: (1) they had an actual cash value—and Stone's original \$5,000 bargain had been taken care of in his 1947 income tax return; (2) the warrants, unlike options, were fully negotiable at the time he got them; (3) they did not specify that they would be worth nothing unless Stone remained in the employ of



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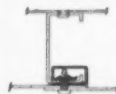


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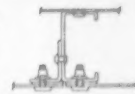
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"...bank has to worry about the 50% margin rule on loans to buy securities..."

STOCK WARRANTS starts on p. 104

Follansbee—a clause that would have made them nonnegotiable.

The upshot of the case: A company can sell stock warrants to top executives at prices almost any of them can afford.

It's true that the warrants aren't a sure thing for management men. But that's also true of options. An executive has to put up cash at the beginning for warrants, but he can always deduct a loss if the warrant value drops because of a stock decline. He can hold onto the warrants without ever having too much capital tied up. Just as in the case of options, the bet is that in these days it is highly likely that the market will reach a level profitable for the warrant holder at some time during a five-year stretch—the time in which Stone's warrants could be exercised.

• **Financing**—The beauty of warrants from the employee's viewpoint is that he has to raise so little capital. This is a problem that has often come up in restricted stock option deals.

The usual way to finance restricted stock options is to get a bank loan to cover the cost of picking up the stock, pledging the stock as collateral. There are hitches, though.

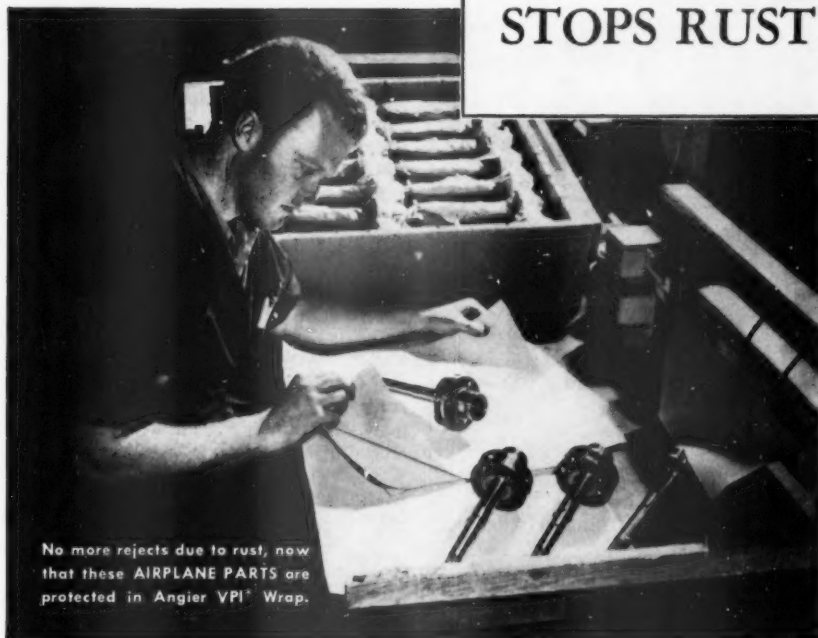
A bank has to worry about the Federal Reserve Board's 50% margin rule on loans to buy securities. Suppose an option gives the holder the right to buy a share of stock for \$100, the market price at the time the option is granted. The stock goes up to \$150; the holder seeks money to finance his option. If the bank will settle for a 50% margin, it can lend him \$75 (half of the \$150 price). But the holder still has to dig up the remaining \$25.

That's easy enough on a small scale. But at a level high enough to interest a top executive, it adds up this way. The holder could pick up 5,000 shares at \$100, at a time when the market is \$150. The bank could let him have \$375,000. But to cover the \$500,000, the holder would still have to raise another \$125,000—and that could pinch many an executive.

• **Margin**—This financing problem was tougher a few months ago when the margin requirement was 75%. Now, with the 50% rule, one company president—who is also on the board of a New York bank—says option financing is fairly common.

Even so, some Wall Streeters are trying to make the transaction still easier by securing special treatment for option financing. Sidney Weinberg, a partner in Goldman, Sachs & Co.,

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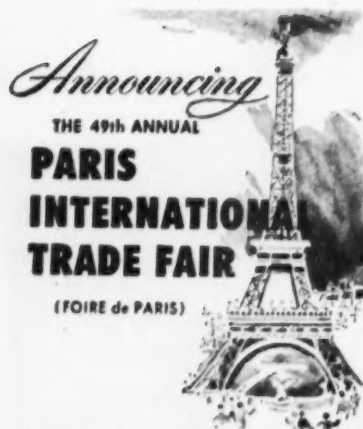
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has suggested in a letter to some top executives that the Federal Reserve Board might be asked to cut the margin requirement for stock option loans to 25%.

That move could very well solve the problem. So could the custom of those companies that let their executives pay for the stock on the installment plan, or lend them the money to buy it. But most option plans probably do not contain this sort of provision.

• **The Catches**—The warrant plan would offer an even handier solution. But it does have these objections:

• It doesn't tie an executive to the company, as is done by those option plans which permit an executive to exercise only so much of his option each year, or which make him wait a year or two before he can pick up any of it.

• Warrants when exercised dilute the equity of the existing stockholders and thus are quite likely to rouse resentment.

• Warrants sold to the top men can be resented by other executives who don't get them.

• Top men might be tempted to run up the stock prices on a short-term basis for a quick profit, without regard to long-term consequences.

All these arguments except the first one apply with equal force to options. And even the first one applies, after time restrictions on taking up the option have lapsed.

The cost of options or warrants is much the same for the company. Either way it loses the difference between (1) the going market price of the stock, and (2) the price at which it is sold to the executives.

Blessings of Branch Plants

Du Pont assails charge that they drain communities. Survey shows that local purchases bring major addition to the benefits of payroll.

Most communities fight hard to capture the branch plants of big companies. When they get them, though, there are often squawks. Feeling grows that the branch plant is using the community's services and shipping a lot of money out of town, without actually putting much back in the pot.

Local businessmen often accuse the absentee management of saying, in effect: "You've got our payroll. That's what you wanted. What more do you expect?" (BW—Jun. 10 '50, p70).

• **Lagniappe**—At least one major company with a lot of branch plants claims that the story isn't nearly that one-sided. E. I. du Pont de Nemours & Co. says a branch plant brings the community a lot more than just payroll and, when the company is wise, support of community projects. The added benefits, du Pont says, are local purchases of goods and services.

To prove its point, du Pont has surveyed 29 of its 71 plants to find just what this buying adds up to. The surveys began three years ago. Figures for 1951 are now available; the company is still calculating the 1952 results.

In 1951 du Pont studied its plants in New Jersey, New York, Virginia, West Virginia, Tennessee, South Carolina, and Texas. These states were picked because the plants were concentrated and thus easier to study. Here are some of the results:

• In New Jersey, where du Pont has 12 plants, in-state purchases by the plants amounted to \$45,155,845. Payrolls were \$74,861,959.

• Buying by three out of five New York plants totaled \$18,163,311, compared with payrolls of \$24,303,301.

• Seven plants in Virginia and West Virginia bought \$40,027,737 within the states. Employees were paid \$65,627,351.

• Tennessee and South Carolina business got \$7,250,779 from four of the six du Pont plants in the area. Payroll amounted to \$32,909,422.

• Three out of four Texas plants bought more materials and services in the state—\$13,142,005—than the company paid out in wages, \$11,996,617.

• Over-all, 10,000 companies in the seven states profited by du Pont purchases.

Du Pont has been using the results of its survey to promote what it feels is a truer picture of what big business can mean to an area. Management is sufficiently intrigued by the idea to plan continuation of the surveys. Communities are interested, it finds, especially in the South where the industrial expansion is going great guns.

• **Digging**—The surveys are done by a tedious process of sifting the vouchers of each plant, screening out (1) purchases made out-of-state, and (2) purchases made in the area for plants in other parts of the country. Transportation costs are excluded because they are hard to pin down on a state-by-state basis.

The whole process of getting the data will be speeded up as soon as du Pont works out an electronic system for screening the thousands of vouchers.

being sponsored by the American Management Assn. in New York City in April, May, and June. Four experts from American Telephone & Telegraph Co. will discuss techniques for executives whose duties involve holding frequent meetings.

Two companies are calling their shots far in advance on the men who'll take over their top executive jobs. General Cable Corp. announced that I. T. Bennett, vice-president of Revere Copper & Brass Co. will become board chairman in April, 1954, replacing Dwight R. G. Palmer who is retiring. Chemstrand Corp., jointly owned by Monsanto Chemical Co. and American Viscose Corp., has picked Henry H. Bitler, an American Viscose director, to replace Osborne Bezanson as president Dec. 1. Bezanson, who has been a Monsanto executive before going with Chemstrand, becomes chairman.

Lockheed Aircraft Corp., like Union Carbide & Carbon Corp., is adding administrative grants to colleges and universities that participate in its four-year college scholarship program for 20 high school graduates. The idea is to offset criticism by colleges that granting only tuition and expenses to students puts colleges deeper in the hole, since most schools lose money on each student.



Taking Over

New president of Thompson Products, Inc., is John David Wright. He takes over administrative duties long held by Frederick C. Crawford, who will continue as top policy-maker with the title of chairman—first time that job has been filled in the company's 52-year history. Wright, a lawyer, started out with Thompson Products in 1933 as assistant to the president.

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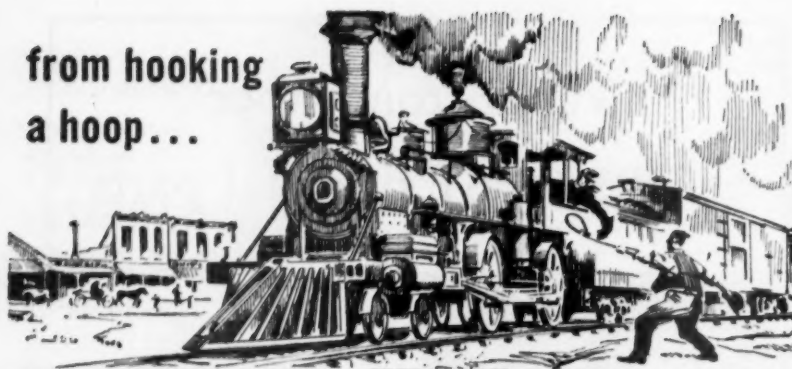
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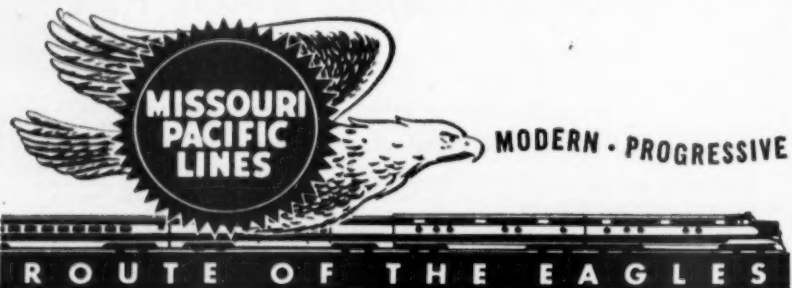
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MANAGEMENT BRIEFS

The Family Economics Bureau of Northwestern National Life Insurance Co. says employees' pension plans and other retirement benefits are the biggest obstacle to older people's finding jobs. Its survey of 125 public and private employment agencies in 46 cities shows that with retirement pensions usually beginning at 65 it takes four times as much in annual employer-employee contributions to build the same pension kitty for an employee starting work at 50 as it does for one starting when he's 25.

M. W. Kellogg Co., a subsidiary of Pullman, Inc., has set up a scholarship plan under which selected employees get full base pay in addition to grants for study. Each year three grants—one for a year's graduate work and two permitting up to two years' undergraduate work—will be awarded. Applicants have to be under 30 and must have been with the company at least two years.

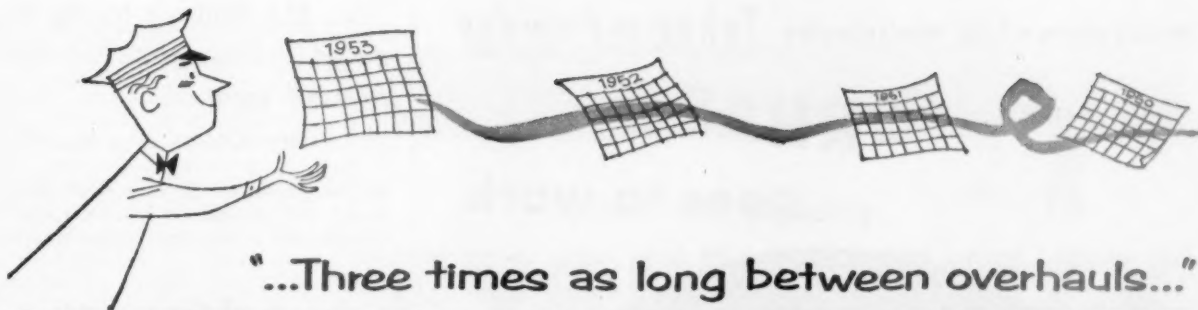
Business executives earn four times as much as their counterparts in the government, according to Jerome M. Rostow, former director of the policy division of the Office of Salary Stabilization. Only 300 federal executives earn more than \$15,000, with maximum of \$25,000 for cabinet officers. Low-paying industries average \$12,000 to \$15,000 for the three top jobs. In high-paying industries top salaries range from \$50,000 to \$80,000.

General Motors Corp. has won its sixth consecutive safety award from the National Safety Council. Over 99% of GM's employees went through 1952 without lost time from on-the-job accidents or occupational illness. The company-wide, accident-frequency rate—the number of disabling injuries per million man-hours worked—was 1.4, a 20% improvement over 1951.

A stock option plan will be presented for the approval of Allied Chemical & Dye Corp. stockholders at their annual meeting on April 27. The plan reserves 150,000 shares to be offered to 80 executives at 95% of the market price at the time the option is granted.

Japan Efficiency Assn., an American Management Assn. affiliate, has concluded a deal with Holmes Institute, Washington (D.C.) specialist in management training via correspondence courses (BW—Mar. 7'53, p115). Holmes will introduce its program in Japan.

Leadership in executive discussions will be the topic of one of three seminars



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New Uses for Fibrous Glass

At the end of World War II, plastic molders started turning out auto bodies reinforced with fibrous glass. But up until this year, it was mostly on a basement-workshop scale—and the future of the industry was largely a matter of speculation. This week's development indicated that the industry is about to hit its stride.

Robert S. Morrison, president of Molded Fiberglass Co. (formerly Molded Resin Fiber Co.), landed a \$3.5-million contract to produce molded plastic parts reinforced with fibrous glass for the bodies of Chevrolet's Corvette sports car. In his pocket also are orders for \$175,000 of reinforced plastic parts for the Kaiser-Darrin sports car.

• **New Method**—Starting July 1, Morrison will turn out about 50 cars a month, using a bag molding method. Ordinarily, the small operators build by hand a mold of chicken wire, plaster, and whatever else is around. In the mold they place layers of fibrous glass and coat it with sirupy resin. Every few hours they wheel the mold into the sun to let the new layer set before adding another layer.

Morrison's technique is an advance, since it uses a Vinyl bag to exert pressure on the material, doesn't require sun-curing, therefore speeds up the operation.

• **Made to Order**—Along with Morrison's announcement came word that Owens-Corning Fiberglas Corp. is

building a new \$350,000 plant in Ash-tabula, Ohio. The company Morrison is setting up to handle automobile orders will operate the new plant rent free for the first year. Molded Fiberglass Body Co. will move into its new quarters about August and—by next year—it should be using real mass-production methods.

Plans call for production of 50 cars a day in 1954. However, output can be upped to 100 cars per day or more if the plastic bodies catch on. In the new plant, Morrison will use special presses and ovens to mass-produce the bodies.

Morrison's new plant shows how far reinforced plastics have come in the few years since the war. However, for

steel companies are now turning out specialized products.

Over-all statistics on the size of the industry are practically nonexistent. Best estimates on the reinforced plastic segment of the industry indicate that 1953 production will be double that of 1951, when about 8-million lb. of fibrous glass and 14-million lb. of polyester resin binder were used. This year the estimates are for consumption of 16-million lb. of glass and 27-million lb. of resin.

II. Wool and Batting

While reinforced plastics are the glamor boys of the fibrous glass industry, it is the various forms of wool that constitute the biggest part of current business. So far, rise of competition has had no effect on the price of the material, but it has had an important effect on the product being turned out.

New companies have one advantage: Their equipment is all new, and these machines are able to turn out a more uniform fiber than those that have been working for years.

• **Air-Conditioning Field**—The most important factor in the growth of the insulating wool business during the past year has been the trend toward year-round air conditioning. As the idea has taken hold, there has been increasing emphasis on the scientific approach in insulation.


For years, contractors slapped asbestos on pipes if they were hot, used cork if they were cold. They didn't worry about how much insulation should be applied. Only in cold climates did they think of installing insulation in homes.

Now the experts are getting insulation into buildings all over the country—particularly in the Southwest, where the current air-conditioning boom is really rolling.

Builders and homeowners, who previously tried to get by with as little insulation as the law would allow, have done a fast about-face. Fibrous glass got an early lead in this field because it helped deaden the noise of early-model air-conditioning equipment.

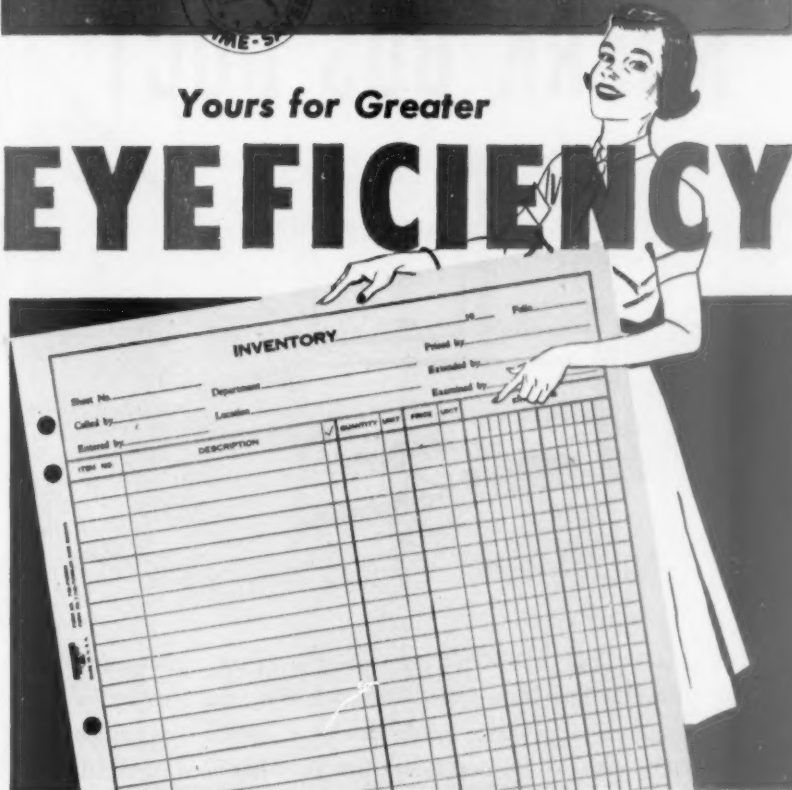
Gustin-Bacon Mfg. Co., Kansas City, Mo., a real old-timer in the business (it developed Rokfloss in 1933), was a major influence in insulating the railroads and trailer trucks of the country. It's been a leader in the pipe wrap field with its lightweight, low-density fiber (Ultralite), which has a vapor-barrier facing. This season the company is introducing a new one-piece pipe insulation manufactured in 6-ft. sections, said to be one-tenth the weight of any pipe insulation on the market, flexible, nonbreakable.

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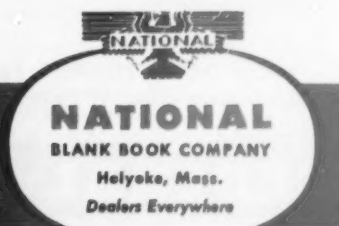
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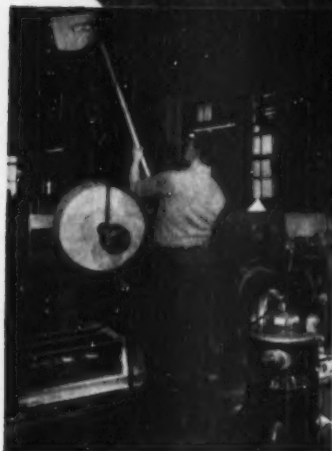
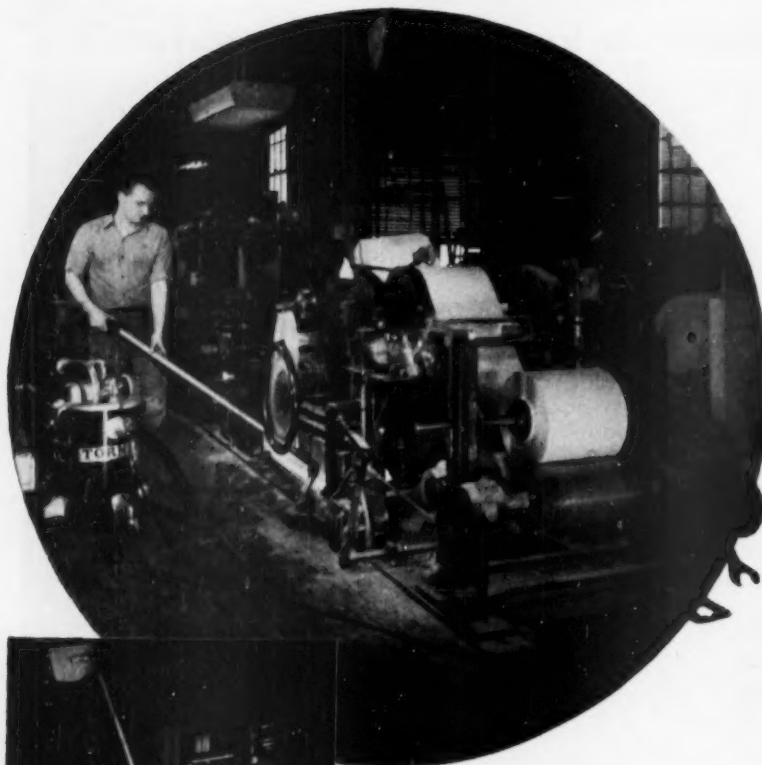


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The Standard Packaging Corp., Chicago, uses a fine drying powder in printing millions of foil milk bottle closures every day. This powder leaves a fine, dust-like deposit on their presses, floor and overhead fixtures.

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BREUER ELECTRIC MFG. CO.

5104 North Ravenswood Avenue • Chicago 40, Illinois

"... the trade is trying to adopt "fibrous glass" as the over-all term . . ."

FIBROUS GLASS starts on p. 114

all the glamor of the new field, auto bodies still account for less than 4 of 1% of sales in the fibrous glass industry.

I. Growth of the Industry

Right now the fibrous glass industry as a whole is booming. It prospered during World War II, when the military first discovered reinforced plastics. They were light weight, rustproof, good insulators. But when the war ended and defense contracts were canceled, the boom ended. Roughly 60% of the industry's business was tied up in reinforced plastics for which there was no immediate civilian market.

• **Wider Base**—The current boom, although partly dependent upon defense contracts, is built on a much wider base than the earlier one. Roughly 60% of the business now involves various forms of fibrous glass wool used in insulation, sound control, filters, pipe wrap, and tiles. Only about 10% is directly involved in reinforced plastics. The remaining 30% is textile fabrics, some of which go into plastics. In the last year, however, this segment of the industry has become one of the fastest growing because of the tremendous promotion given decorative fabrics made of fibrous glass.

• **New Trade Names**—The rise of competition has been the most important factor in changing the complexion of the fibrous glass industry. With Owens-Corning Fiberglas the major producer for more than a decade, Fiberglas was well on the way to becoming a universal trade name. Even the competition still slips and uses the word generically, but with new trade names (Vitron, Ultralite, Ultrafine, Fiber•Glass, Aerocor, Macrolite, Glastic, Glass Fiber) the trade is trying to adopt "fibrous glass" as the over-all term.

• **Other Entrants**—Aside from the competition that all these new names in the glass end of the business suggest, other phases of the industry have been broadened. There are now dozens of big-name textile mills weaving the glass cloth and tapes used in reinforcing. About 18 major chemical and paint companies are supplying the resins used for plastic reinforcement. Some really large companies are getting into the molding business. Libbey-Owens and Pittsburgh Plate are naturals through their plastics divisions, but other companies like General American Transportation Corp., Admiral Corp., and

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time and
track with*

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Inter-plant bridge of the Trumbull Electric Department of the General Electric Co. in Plainville, Conn. Sidewalls of bridge and the building on the right constructed of "Century" Asbestos Corrugated, and applied by Hampden Cornice Works Inc., Springfield, Mass. Supervisor of Construction: General Electric Realty Corp., Schenectady, N.Y. Engineer and Architect: Lockwood Greene Engineers Inc., New York, N.Y. General Contractor: The Gellatly Construction Co., Bridgeport, Conn.

"Century" Asbestos Corrugated makes an ideal siding for this new inter-plant bridge and building because of its outstanding durability and freedom from maintenance. After many years this long-lived siding will still be sound, serviceable, and weather-tight.

If that's the kind of dependable siding and roofing *you* are seeking, you ought to know more of the many advantages in using "Century" Asbestos Corrugated. Here are a few facts about this versatile, economical material:

It is made in large, strong sheets from portland cement and asbestos fiber—therefore *cannot* burn, rot or rust. It is impervious to rodents and termites. It is completely, permanently weatherproof. Although it never needs paint, it will take decorative colors well.

"Century" Asbestos Corrugated has proved itself to be a maintenance-free and long-lasting building material—well worth your close consideration. We shall gladly send you complete information on request.

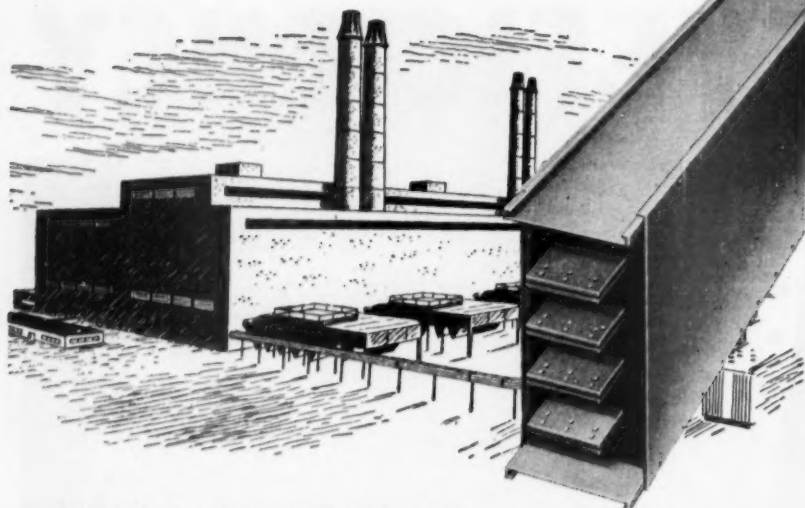
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Federal Noark engineers are always ready to cooperate with consulting engineers and contractors to coordinate the Noark line of bus duct with the individual needs of any installation. In addition, as in the case of the Consolidated Edison plant, Federal Noark is exceptionally qualified to design and build special bus duct to meet unusual specifications.

America's fastest-growing line

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popularity of fibrous glass as an insulating material is the speed and cleanliness with which it can be installed. A more basic one, though rather indirect, has been the emphasis of the military on home-grown products. At least part of our supply of asbestos and cork is imported. As technological advances in the industry made the product cheaper, fibrous glass began to give serious competition to mineral wools.

The industry is so flooded with new ideas for the use of fibrous glass wool that many feel the time has come to take a breather, to consolidate the position of fibrous glass products in the markets they have already invaded (insulating automobiles, appliances, homes). However, nobody seems to be taking the advice. Everybody seems to have at least one eye on virgin territory.

• **Coming Up**—Here are some applications for fibrous glass wool to watch this year:

Shingles and Wall Board. A few big names in construction are working on fibrous glass mixed with gypsum and other materials to produce sturdy exterior and interior building materials.

Upholstery Cushions. Fibrous glass has had an eye on the lucrative foam rubber market for years. Glass is easy to work with, doesn't burn, and doesn't smell—all of which are strong selling points.

Permanent Filters. From its earliest days, fibrous glass has done extremely well in the filter market. The hitch was that it had to be replaced frequently. With the development of glass paper, a permanent filter that can be cleaned periodically instead of discarded may overcome that snag.

Radiation Insulation. Quartz paper and felt have been developed (Glass Fibers, Inc.) that stand temperatures up to 3,000F and resist radiation very well.

III. Reinforced Plastics

Plastics reinforced with fibrous glass dropped out of sight at the end of the war, but they were not long in making a comeback. One of the gimmicks that turned the trick was the glass fishing rod. Fibrous glass reinforced plastic could be engineered with any degree of flexibility desired. By the end of 1952, over 15-million had been sold.

The idea caught on in other types of sports equipment—archery sets, skis, boats. Up until about two years ago, these items were produced by hand. Now they are being turned out by mass production. The same thing is beginning to happen now with luggage, tote boxes, and small electrical parts.

• **New Materials**—Fibrous glass is not the only material used in reinforced plastics, but it's by far the most



A leading South Bend manufacturer reports \$59,333 Saved with Hauserman Movable Walls

With almost three miles of Hauserman *Movable Walls* installed in their main plant and offices since 1932, officials of this large Indiana company* have had ample opportunity to study the long-term advantages afforded by these modern cost-saving partitions.

Based on actual maintenance records, decorating savings *alone* have amounted to \$22,625. Whereas their ordinary walls are repainted at regular five-year intervals, Hauserman *Movable Walls* still retain their like-new appearance . . . without repainting . . . *after more than twenty years.*

Like any company, large or small, this manufacturer must occasionally rearrange floor areas. Here, too, Hauserman *Movable Walls* have contributed heavily toward greater efficiency and operating economy. With a minimum of disturbance to normal routine, Hauserman Walls have been taken down, moved and re-erected—quickly and easily—at a savings of \$36,708 over the cost of moving fixed walls.

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popular. Paper, cotton, asbestos, hemp, and all the others add up to hardly 10% of the market. Polyester is the favorite binding material, largely because inexpensive fillers can be used with it to reduce costs without sacrificing good qualities.

One of the fastest-growing applications for reinforced plastics during the past year has been translucent sheets for use in skylights, patios, partitions, Alysinite Co. of America, San Diego, Calif., is the oldest and largest by a small margin in this field. Last November Libbey-Owens-Ford acquired the properties of Corrugluc Corp. of Houston, Tex., one of the leaders in an industry that now comprises about 25 companies. This move gives L-O-F an edge in the construction field where it already had a strong foothold via its Thermopane windows.

International Molded Plastics, Inc., of Cleveland, Ohio, another of the leaders in the translucent sheeting field, is specializing in quality items for use in shower doors, display advertising backgrounds, cabinet doors, and other places where the product can provide eye appeal.

• **New Developments**—Here are some of the fields to keep an eye on this year:

• **Corrosion-Resistant Pipe.** Recently, Refin Co. of Gardena, Calif., announced that it had licensed a number of steel tubing companies to use its method for making reinforced pipe. It may become standard for home water piping because it's easy to work with, can be slipped inside old lines.

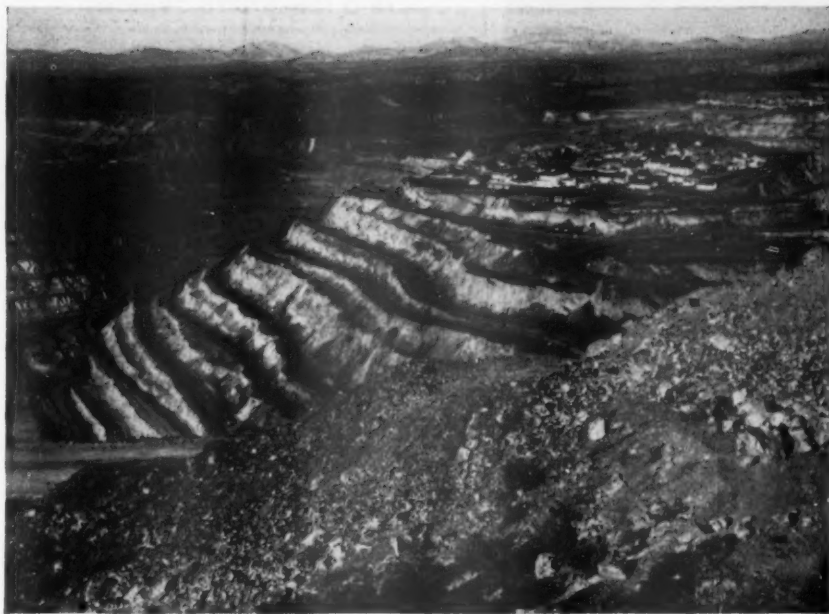
• **Specialized Vehicles.** The plastic-bodied sports car seems to be here to stay. Next on the agenda are trucks, farm equipment, station wagons, and other vehicles that are produced in relatively small quantities.

• **Limitations**—For all its glamor, reinforced plastics has to face up to some big problems. There are several reasons for the limitations in field, but they all boil down to dollars and cents:

• Raw materials for plastic auto bodies, for example, cost roughly 10 times as much as steel. A tremendous increase in glass and resin production might reduce the factor to five times.

• Building up the layers of glass and resin that go into large reinforced parts is still largely a hand operation. The ideal would be to work with a pre-mixed resin and fiber that could be handled like sheet steel.

• Until very recently the great majority of the country's 150-odd custom molders were small owner-manager operations. Very few were capable of large-scale production. With companies like Libbey-Owens, Pittsburgh Plate, Ferro, General American, and the steel industry getting into the business, this problem is solving itself.



OLDER METHOD of hauling by railroad. Railroading is still cheaper for big, rich deposits, but highways give flexibility needed for small, low-grade mining. It means . . .

Open-Pit Mining Pay

are already taking low-grade ore out of the ground.

• **Government Aid**—Not all this interest is due to improving techniques. The final push toward opening low-grade deposits has come from direct and indirect government aid. Mining companies, like other U.S. industry, benefit from accelerated depreciation—they can write off, tax-wise, most of their capital investment over a five-year period. Generally, the government certifies between 70% and 80% of

the investment for such a writeoff.

A more direct inducement to mining companies comes in another way. In the case of Anaconda Copper Co., the government has guaranteed a floor under the copper price from Anaconda's Yerington (Nev.) mine. For five years, Anaconda can be sure it won't have to sell copper from this mine for less than 25¢ per lb.

• **Added Boost**—Yerington is a small, low-grade ore body—and the government thus encouraged Anaconda to



tralized generator. While this goes on . . .



WATERING TRUCKS climb the steep grades leading out of the mine. They wet down dust, keep roadway in shape.



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NEWER METHOD of hauling ore out of mine in trucks opens new sources of low-grade ore that would not be worth-while to mine if you used the expensive . . .

Trucks Make Marginal

Someday soon, U. S. highway builders may want to claim credit for helping to solve the current shortage of metals and minerals like copper and sulfur. Some of the credit may well be due them. For techniques developed largely by them over the past 25 years have made possible the open-pit mining of small deposits of low-grade ore in remote areas.

• **Railroads and Highways**—The traditional method of open-pit mining has been to use railroads to haul the ore out

of the pit. This method is still used in big mines with a long life and rich ore bodies. But because of their high initial expense, railroads are not economically feasible in mining small deposits of low-grade ore.

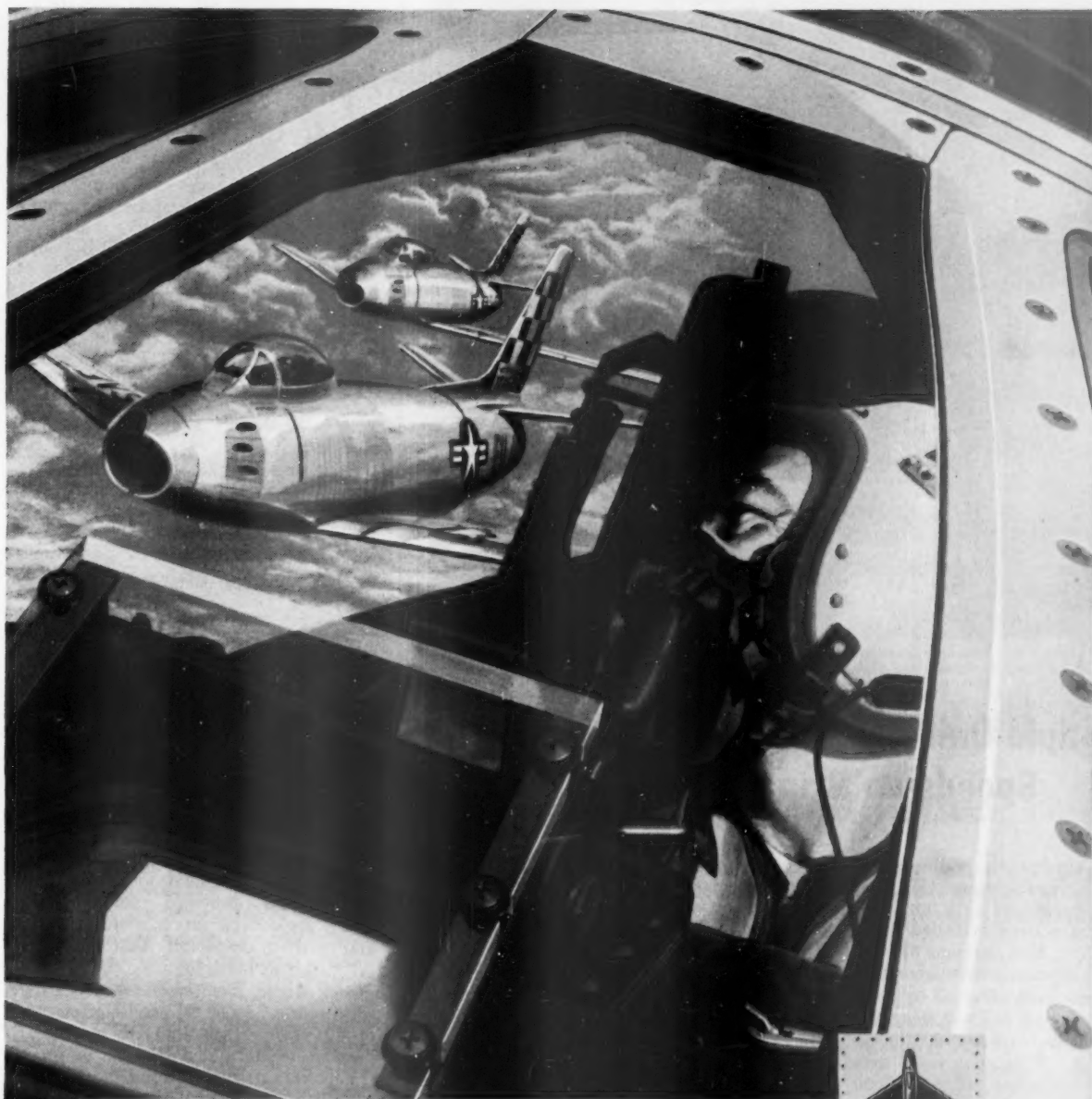
The highway system—using roads and trucks—has changed all that, particularly since World War II. As a result, big and small mining interests throughout the western U. S. are taking a new look at ore deposits they have long known to exist. Some of them



TRUCK DUMPS ORE at Anaconda's Yerington (Nev.) copper mine after . . .



IT PICKS UP LOAD deep in Yerington pit from electrically operated shovel powered by cen-



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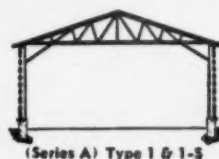
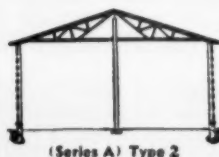
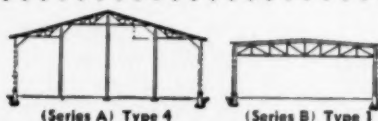
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"... in a low-grade deposit, you need fast and unlimited movement to make your operation pay..."

MINING starts on p. 122

start mining it. But even that encouragement would have been ineffective without the use of roads and trucks; the company could not have made the project pay off at all. Here's why:

In the earliest days of pit-mining, you were skating on thin ice, profit-wise, if the ratio of ore to waste was greater than one-to-one. That meant the ore had to be pretty high grade. Today, despite higher over-all costs, it is possible to make a profit when you have a ratio as high as six or seven parts of waste to one part of ore.

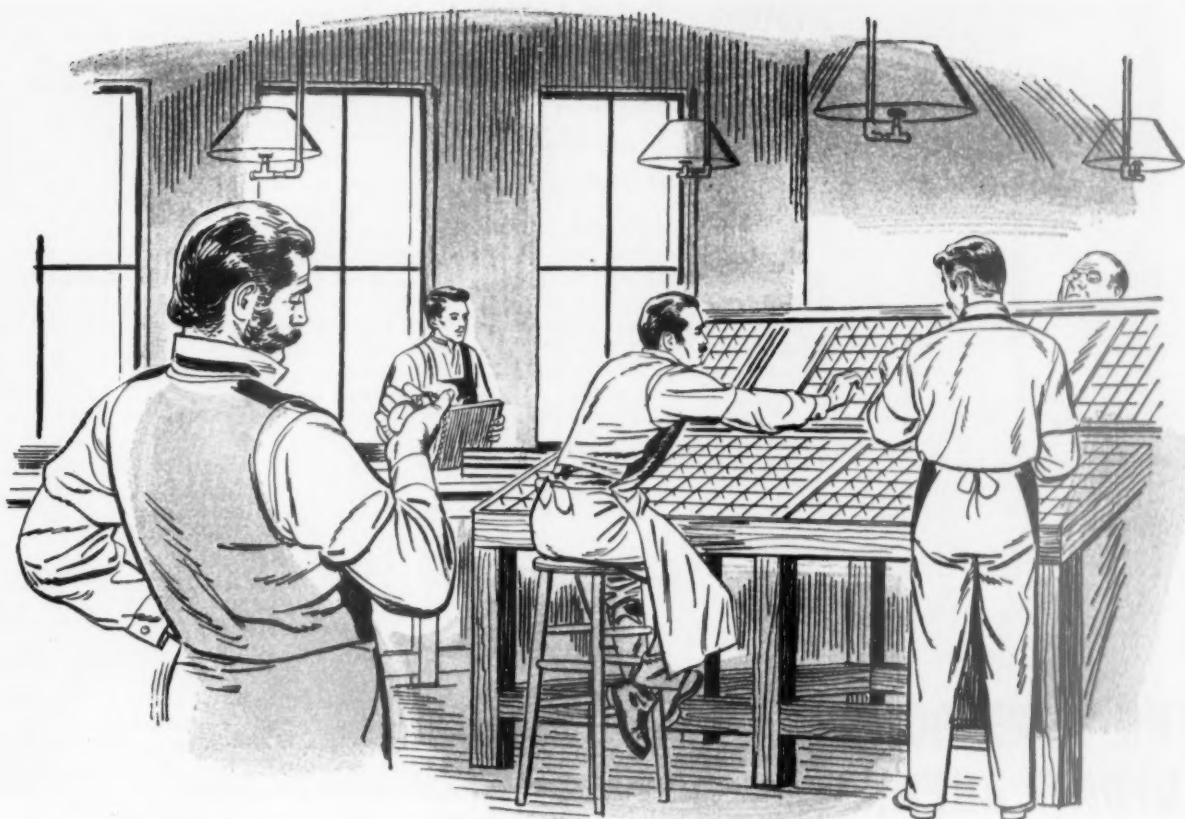
• **Flexibility**—This change has come primarily from the flexibility provided by truck haulage. To begin with, trucks and highways don't require the big initial investment needed for railroads. Likewise, the mine need not be so big. For example: A railroad can only successfully negotiate curves of not more than nine degrees; a truck can easily go around right-angle turns or hairpin curves. Likewise, whereas a railroad can't economically climb a grade of more than 3%, a truck can move easily up grades of 8% or even greater.

In a low-grade deposit, you need fast and unlimited movement to make your operation pay—you have to take out a lot of material to get enough ore. Thus railroad tracks become an obstacle. You can't move them without great expense once they are down. If you use roads, shovels not confined to tracks can dig into walls of the benches as far as they need to to get ore. Finally, roads make it possible to mine ore in spots once regarded as inaccessible.

• **Remote Sulfur**—One example of how this flexibility is opening new mineral sources is a sulfur deposit that will operate in conjunction with Anaconda's Yerington operation. Anaconda owns this deposit, which is high in the Sierra Nevada Mountains in California, just over the line from Nevada. The company was interested in it for leaching copper.

Yet in spite of the sulfur shortage, Anaconda could do little about getting the ore out. For one thing, the deposit lay at an altitude of some 7,500 ft., in virgin country, miles from any railroad or highway. For another, even if it could get at it easily, the company's nearest reduction plant lay so far away from it that transportation would make it too costly to move.

• **One and One**—The first big answer was to get a nearby copper mine operating. That meant Yerington, some 60



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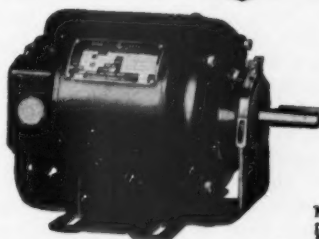
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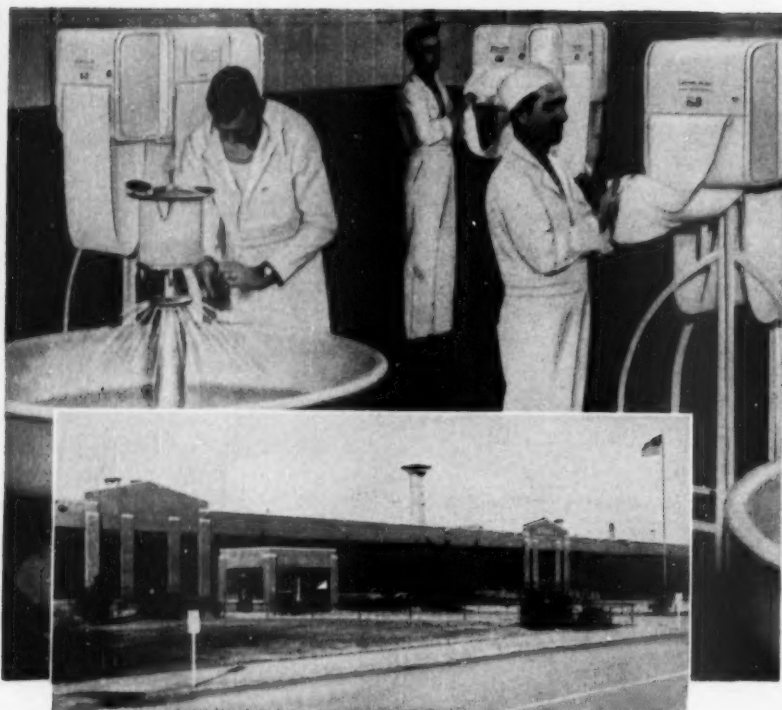
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* Continuous cotton towels used by Briggs Indiana Corporation are serviced by Clean Towel Service of Evansville, Indiana.

Multiple Unit Cotton Towel Service* Speeds-up Briggs Washroom Traffic

Automobile bodies are built at the big Evansville, Indiana plant of Briggs Indiana Corporation pictured above. Here more than 2800 employees are kept busy. To speed the heavy washroom traffic multiple units have been installed to furnish continuous cotton towel service.

Management has found they can keep plant washrooms cleaner and tidier with cotton towel service. Briggs employees, too, prefer the greater comfort afforded by soft, absorbent cotton towels. More important, management has been able to make this contribution to good employee relations at no increase in cost.

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"... none of this means that railroading is even approaching obsolescence..."

MINING starts on p. 122

mi. from the sulfur deposit. When the government boost came along, Anaconda figured it could make Yerington pay. So in December of 1951 it started stripping, by last June was taking out ore.

Now it made sense to get that sulfur. Since the sulfur ore was in a ratio of about eight to one, this would have to be an open-pit mine, too. (By underground mining, it would cost between \$4 and \$5 a ton to remove the ore; by open-pit, the cost drops to around \$1.50.)

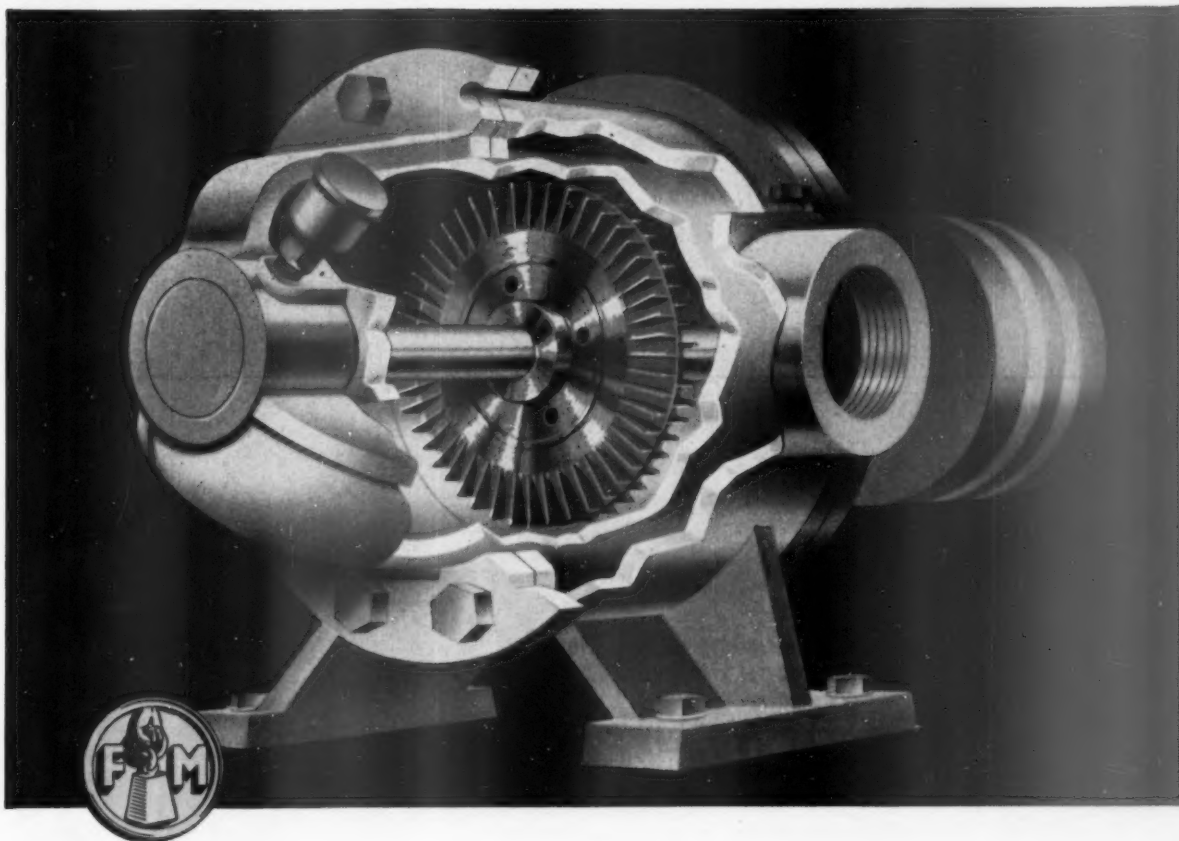
• **Stripping**—Digging an open-pit mine from a mountain is a major undertaking. To do the job, Anaconda hired Isbell Construction Co. of Reno, Nev., a leading western earth-moving company. The contract called for Isbell to strip away 14-million tons of overburden to get to the ore—and to hit first pay dirt by June 1, 1953.

But Isbell's first job was to get into the area in the first place. A company that had started out as western highway builders early in this century, it found this job familiar enough. From lower desert country, Isbell rolled into the mountains, digging out canyon walls, cutting through pine forests. In the end it had a 50-ft.-broad roadway running 12 mi. into the wilderness.

• **12 Mi. or 30**—That job took four months—and provided access that would have been much more difficult and costly to do by rail. Best estimates are that the need for easy curves and grades would have made it necessary for a railroad to be 30 mi. long instead of 12. More than that, there would have been the added expense of such things as extremely strong bridges to carry the weight.

None of this means that railroading is even approaching obsolescence in open-pit mining. On the contrary, railroads provide by far the cheaper method in a really big deposit. The reason: Even though the initial cost of the rail system runs higher than that for trucks, long-range operating costs are much lower.

• **New Sources**—But the advances made in the road-and-truck method do mean that it is now increasingly profitable to open up low-grade ore bodies once considered too marginal to bother with. For companies that once concentrated only on highway building, this could mean a bright future. More important, it could also mean an easing of the supply of vital metals and minerals in the U.S.



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With castings in quality as well as in quantity, National Bearing Division helps its customers make better products.

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This Fairbanks, Morse Turbine Pump combines high pumping efficiency with low pumping costs...thanks to close-fitting precision-machined bronze liners and impellers that are easily replaced on the job, at a big saving over new housings.

These castings—particularly the impeller—have to be "right"...free from blow-holes,

sand inclusions...and must be exceptionally fine-grained. Otherwise lost machining time, before defects are found, can seriously increase production costs.

National Bearing Division was picked to supply castings for the very heart of this Fairbanks, Morse Turbine Pump...because of an often demonstrated ability to mass-produce non-ferrous castings to a high standard of uniformity and quality.

If your product requires non-ferrous components, it will pay you to investigate National Bearing Division. We have the foundry facilities and skills that can make important contributions to your product performance...with castings *in quality* as well as quantity. *The end result may well save you money, too!*

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but the fittings did, because they weren't strong enough for their job. Result: needless accidents, lost time, higher insurance rates, wrecked equipment.

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Catalog No. 150 lists 1500 types and sizes, with recommendations for safest use. There is a man in your business who needs it at his elbow. Ask your local industrial distributor to give him a copy, or send us his name today and we'll mail it at once.

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217 FORE ST., PORTLAND, MAINE



More Jet Metal

Crane Co. of Chicago plans a \$25-million plant that will make it the biggest U.S. producer of titanium.

The growing titanium industry was getting set last week to make another big jump in its producing capacity. Officials of Crane Co., Chicago, one of the top manufacturers of valves and fittings, announced plans for a plant that would make the firm the biggest U.S. producer of titanium metal.

Crane is now completing a contract with the government for construction of a \$25-million plant that will have an annual output of 6,000 tons. The output of the plant will be in the form of sponge metal that will be converted into an equivalent weight of ingots for mill fabrication. If the contract goes through, the company expects to get into partial production within 12 or 18 months.

• **First Choice**—The actual location for the plant still hasn't been picked by the Crane brass. The first choice of a site is near Nashville, Tenn., where cheap electric power is available for reduction of the ore into metal. That cat got out of the bag through the state legislature, which must give its approval to Crane's plans. Crane says, though, that it is also considering other areas for its plant.

Crane's entry into the business will make it the third U.S. titanium producer. The only others now in the field are E. I. du Pont de Nemours & Co., Rem-Cru-Titanium, Inc., Titanium Metals, Inc., owned jointly by Allegheny Ludlum Steel Corp. and National Lead Co. Last year both producers turned out a total of 992 tons of titanium.

• **Ideal Metal?**—To many metallurgists, titanium is the ideal metal. It packs more strength into a single pound than any other known metal. Beside that, it shows a high resistance to heat and chemical corrosion. Those qualities give it a priority rating for uses in jet aircraft engines.

But titanium has had one chief drawback: It's difficult to produce in pure metallic form. To begin with, the metal is chemically active during refining stages, and reacts with the atmosphere. So it must be reduced in a vacuum, or in the protective surroundings of an inert gas such as helium. What's more, its high melting point calls for equipment that is equally heat resistant. These difficulties have held the cost of the metal up around \$10 per lb. for bar shapes, and \$20 per lb. for sheets. Only critical applications such as jet

engines and the like can justify use of the metal at those prices.

Aircraft manufacturers have told Holloway that they will put titanium to wider use in their planes, if present price averages for bars and sheets are brought down from \$15 to around \$9. At that level, he says, "they couldn't afford not to use it for civilian as well as military planes." Eventually, titanium will find applications in the skins and structural work of airframes. But, says Holloway, that development is still six years away. It'll take that long, at least, until the prices come down to an attractive level.

• **Finance and Supply**—If the company swings the deal, Crane will get a loan from the government with which to build the plant. In return, the government will have first call on all the titanium that Crane turns out for a certain number of years. At the same time, the company will foot the bill for operation of the plant as a subsidiary. It has asked for a fast tax write-off on 90% of the construction costs of the plant.

Crane's proposed plant will use Canadian-mined rutile and ilmenite slag, the minerals from which titanium is reduced. These raw materials are among the most abundant of all elements. So Crane will have an ample supply for its plant. The company has also leased land in Canada, and is testing it for possible future sources of the minerals. But Crane hasn't made any plans for permanently developing and working these sources.

PRODUCTION BRIEFS

Cincinnati's City Council voted last week to order fluoridation of the city's water supply (BW-Mar.21'53,p66). The ordinance, approved eight to one, becomes effective in 30 days unless the council receives a petition for referendum.

• Eastman Kodak Co. is experimenting with photographic materials for color telecasts (BW-Apr.4'53,p28). Kodak has installed an experimental color TV network in its laboratories. The company has also announced a continuous film projector that it feels will improve the quality of TV films.

• A new chemical processing plant operated for the Atomic Energy Commission by American Cyanamid Co. is attacking two problems of commercial development of atomic power reactors—price and contamination. Cyanamid expects the new processing system to lower the costs of reactor fuel, and lower contamination by making it possible to reclaim fissionable material from used reactor elements.



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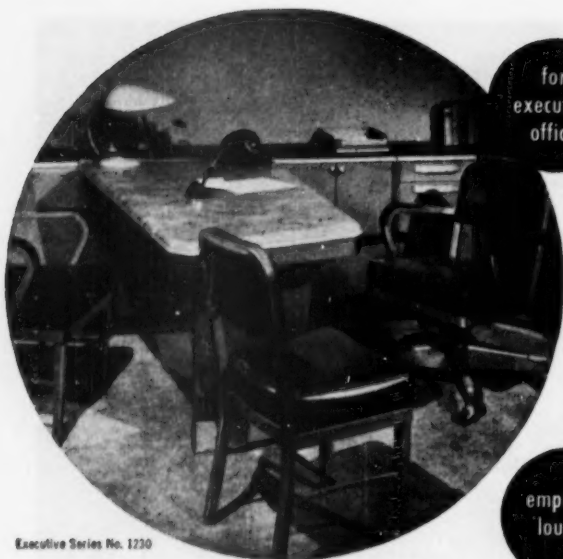
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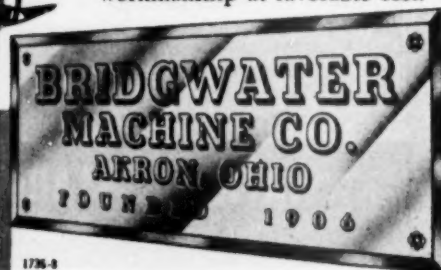
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1736-B

NEW PRODUCTS



Heat in Ripples

A stone tossed into a pond creates a series of ripples. The crests of the ripples are high pressure areas, the troughs are low pressure. A similar system of rhythmic pulsations provides the driving force for rocket motors like those used on the German V-1 buzz-bombs.

Now the same pulse-jet principle has been harnessed to a line of specialized heating devices called Swingfire, being introduced in the U.S. by Devenco, Inc. They are designed with a specific area like an organ tube to provide resonance once a pulsation has started.

Fuel and air are introduced into a combustion chamber in a series of extremely rapid charges; the almost continuous explosions provide intense and very efficient heat, requiring a minimum of starting energy.

For a beginning, the Swingfire patent trademark will cover three products:

- Swingheater (picture, above) creates pre-starting heat for gasoline or diesel engines being operated in very cold regions, in temperatures down to -70F. It can also be used for inside heating of vehicles and structures.

- Swingfog is a 30-lb., portable apparatus that atomizes fumigants and insecticides into a dense, clinging fog. Output in 5 min. is about 35,000 cu. ft., and contact with the exhaust is so brief that the heat does not dissipate the strength of the fog.

- Swingburner is a modified heater for field kitchens or construction operations in extreme cold. It generates an intense, torchlike flame of 24,000 Btu. to 120,000 Btu. per hour.

The development of Swingfire really began when the savage cold of the

**Whoever You Are ...
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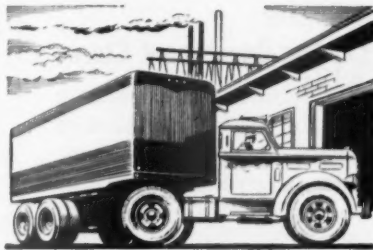
BRAKE LINING, for example. If cars, trucks, tractors or buses are a part of your life, it's a good bet that an R/M automotive product is too. For Raybestos-Manhattan is the world's leading producer of brake linings, clutch facings, and automatic transmission friction parts; and also makes a top-quality line of automotive rubber products. This is *just one* of the fields, however, to which R/M contributes its specialized skills. Your life is touched by hundreds of the asbestos and rubber products made in R/M's seven great plants and laboratories. If you have an asbestos, rubber, or sintered metal problem, call an R/M representative. Raybestos-Manhattan, Inc., Passaic, N.J.



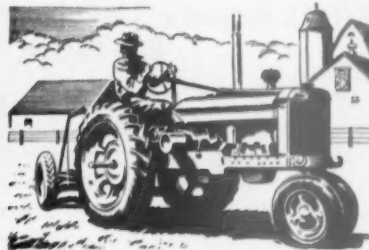
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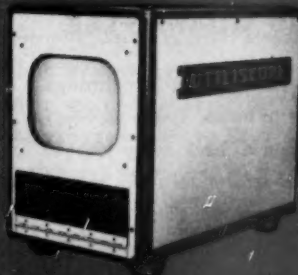
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Russian winter stalled the German Panzer divisions at Stalingrad. Hitler put his researchers to work on the problem, trying to convert the driving principle of the V-1s into usable heat. Research, incomplete when the war ended, was then carried on by private companies. Three years later, pulse-jet heating was launched in Europe.

• **Battery**—The present Swingfire devices are easy to operate. A brief shot of juice from a storage battery heats up a glow plug. Simultaneously a few strokes of a hand pump force the fuel-air mixture into the combustion chamber. The glow plug sets off the first explosion. This starts the ripple-like pulsations, and the device provides its own ignition from then on. In the low-pressure phase of the pulsation, air is sucked into the chamber through a one-way valve, and fuel from a carburetor. Then the high pressure phase raises the temperature of the fuel-air mix to the ignition point. The pulsations, and explosions, follow at a rate of 80 per second.

The fact that a momentary shot from the storage battery starts the process is invaluable in extreme cold, where battery drain with conventional equipment is very high.

Devenco claims that the principle converts fuel into heat at the amazing efficiency ratio of 92% to 95%. In all the devices, there is only one moving part—the easily replaceable diaphragm of the one-way air valve. That means no lubrication and virtually no maintenance.

• Source: Devenco, Inc., 150 Broadway, New York 38, N. Y.

Booster for Steering

Power steering, designed to make it easier to turn the wheels of your car, is one of the newest attachments offered on autos. Already a new version is being introduced. Monroe Auto Equipment Co. has announced a hydraulic power steering unit, which it claims is relatively cheap and can be installed as a replacement unit on used cars as well as a unit on new cars.

Monroe's system uses a standard hydraulic pump that is mounted on the car engine to furnish added pressure when the wheels are turned. But Monroe claims its control differs from others in that it does not exert a constant pressure. The Monroe unit is not actuated until 3 lb. of pressure is applied to the steering wheel. This means that under ordinary conditions the driver still has the "feel" of the road without the intervention of power steering.

When added power is needed to turn the wheels or to keep them in line when a blowout occurs, pressure on the steering wheel is immediately transmitted to



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N-A-X HIGH-TENSILE, having 50% greater strength than mild carbon steel, permits the use of thinner sections—resulting in lighter weight of products. It is a low-alloy steel—possessing much greater resistance to corrosion than mild carbon steel, with either painted or unpainted surfaces. Combined with this characteristic, it has high fatigue and toughness values at normal and sub-zero temperatures and the abrasion resistance of a medium high carbon steel—resulting in longer life of products.

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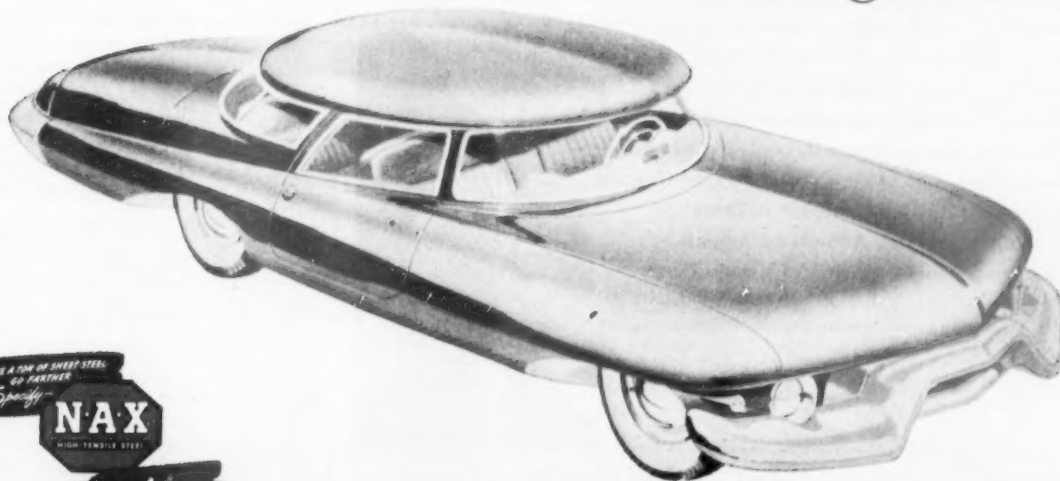
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COPYFLEX Recovers "Lost" Discounts, Speeds Vital Reports for Leading Department Stores

Duplicating and checking invoices for furniture and appliances bought by a big East Coast department store* took so long that the store was losing money; it was failing to make payments within the allowable 10-day discount period. Now Bruning Copyflex "engineered paperwork" has reduced these "discount losses" by 90%. A Copyflex duplicates 98 percent of invoices received, turning out as many as 1,000 copies a day. Cost — including all charges — 2¢ per invoice.

Another department store* saves time and money by using Copyflex for daily flash sales reports, profit statements, open-to-buy reports and other urgently needed figures. Top management receives reports within the hour.

Everywhere companies large and small are slashing copying costs by engineering their paperwork with Bruning Copyflex. Now is the time to start your

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the wheels with a big assist from the hydraulic unit. Up to 750 lb. of pressure can be applied to the wheels by the hydraulic system.

• Source: Monroe Auto Equipment Co., Monroe, Mich.

Controls Ups and Downs

Completely automatic elevator control for heavy traffic buildings is claimed by Westinghouse Electric Corp. for its new Automatic Traffic Pattern Control. The new mechanism changes its control of elevators as the demand changes. For instance, up cars are favored in the morning and down cars at quitting time.

The new controls are designed for use with the Westinghouse Selectomatic system of operatorless elevators. No operators are needed, and no starter is required to change the controls with the changes in demand, according to the company.

The elevator will automatically shift its operation with changes in demand regardless of how many times the load may change during the day. Up cars may be favored in the morning and after lunch. Down cars may demand faster service for the morning coffee hour and at noon as well as in the evening.

The unit, now available for general sale, has been tried under actual conditions in several installations. The first installation was the Michigan Bell Telephone Building in Detroit.

• Source: Westinghouse Electric Corp., 401 Liberty Ave., Pittsburgh, Pa.

NEW PRODUCTS BRIEFS

A synthetic lubricant for jet engines has been produced by Standard Oil Development Co. Standard says it substitutes for petroleum mineral oils that cannot withstand the temperature extremes of jet operation. The new synthetic will lubricate at high speeds in temperatures ranging from -65F to over 450F.

A low-cost coolant pump for bench drill presses is offered by Wade & Sons, 940 E. Truman Rd., Independence, Mo. The new pump can be installed in a half-hour on most popular-make bench drill presses. It operates on ½ gal. of coolant of any type, says the maker.

A fire blanket, coated with plastic made from one of B. F. Goodrich Chemical Co.'s Geon resins, helps protect humans and small industrial equipment against fire. It is designed to supplement extinguishers in factories and public buildings.

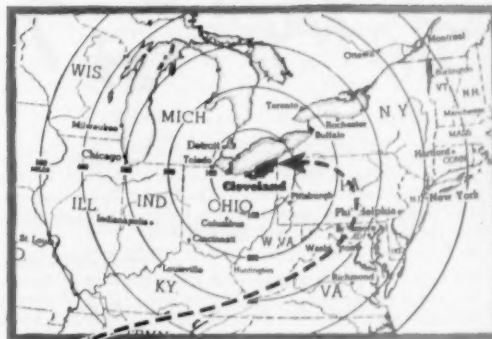
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LOCAL BUSINESS



Hotel That Floats

PORTSMOUTH, OHIO—Portsmouth hotels are turning people away in droves. There are only five of them, with fewer than 250 rooms all told. And at the rate businessmen, government men, and visitors are flocking to the town because of the Pike County atomic plant, 250 rooms aren't nearly enough.

Now it looks as though Portsmouth may get a new hotel—a floating one (picture). The "Sarah Lee," formerly the Ohio River excursion steamer "Gordon C. Greene," is now tied up at the foot of Court St., being made ready for operation as a hotel.

• **Has-Been**—The steamer used to operate from Cincinnati (where the picture was taken) as far as New Orleans. But for the last six or seven years it has been idle, on sale at an asking price of \$60,000. A few months ago it was bought by Jack Fish, a Portsmouth auto wrecker (who says he didn't pay that much).

In February Fish brought the steamer up to Maysville, Ky., halfway here from Cincinnati, for renovation and alterations; late last month he towed it here for finishing touches. Everybody agrees that Fish will have a good thing if he ever gets it going. But they're beginning to wonder if he ever will get it going. He seems to be running into a lot of problems.

• **Snags**—Perhaps the top problem right now is finding someone to run the hotel. Fish admits he doesn't know anything about either hotels or boats; "I didn't even know how to tie the boat up," he says. So far he's hired—and fired—two men to operate the floating hotel. The latest was Harvey T. McCracken, a longtime hotel man formerly with Portsmouth's biggest hotel, the Hurth. McCracken quit last week because he said the Sarah Lee needed \$15,000 worth of linens, dishes, and other equipment before it could begin

operating, but that Fish refused to put any more money into it.

Another knotty problem is the question: What state is the boat in? The Ohio-Kentucky state line is the low-water mark on the Ohio side of the river. Ohio courts have held that Ohio law enforcement officers have jurisdiction over a boat in the river if it's connected to Ohio territory by any sort of passageway. That's fine, as far as it goes, but what if both states try to collect taxes?

• **High and Dry**—Still a third question: Can the new hotel get a liquor license? Ohio liquor permits have been frozen; the only way to get one today is to buy out a place that has a license, and then get state permission to transfer the license. Kentucky's Greenup County is dry.

All in all, it looks as if Fish may be in trouble. He maintains he's almost ready to open, and has his lawyer working on the legal details. But he also admits that, if he could sell the boat at a profit, or get someone to operate it as a hotel on lease, he'd jump at the chance.

One at a Time

HARTFORD—Cabbies were moving around town a little faster this week, trying to make up for lost revenue. Reason for the loss: The state Public Utilities Commission has ordered them to stop doubling up on fares.

Doubling up dates back to World War II, when cabs and cabbies were in short supply. The practice was to pile three or four passengers into a single cab, set out for the different stops, and collect full fare from each passenger as he got out. Cabbies were told to quit the practice after the war, but lately they have been drifting back into it.

Blunder Bridge

FORT WORTH—This city faces the almost certain prospect of a year-long traffic snarl—one which most residents consider completely unnecessary. Their grumbling hasn't been lessened any by the fact that the deal is going to cost the city an extra \$105,000.

The West 7th Street bridge over the Clear Fork of the Trinity River has always been a traffic bottleneck. For one thing, it's the principal traffic outlet from the business section to the western part of the city. Besides, it carries the traffic of two through highways, U.S. 80 and 377.

• **Can't Wait**—Fort Worth has planned a new bridge two blocks north, to be built in 1956 with the proceeds of a \$400,000 bond issue. But the Army Engineers are engaged on a flood-control program on the Trinity. As part of

New Maximum Economy Tape for Overseas Waterproof Packaging

Announcing a new pressure sensitive tape, **PERMACEL 691**, that conforms to specification JAN-P-127, Type I, Grade B. Companion product to the well known **PERMACEL 68**. Equally outstanding waterproof characteristics at an economy price.

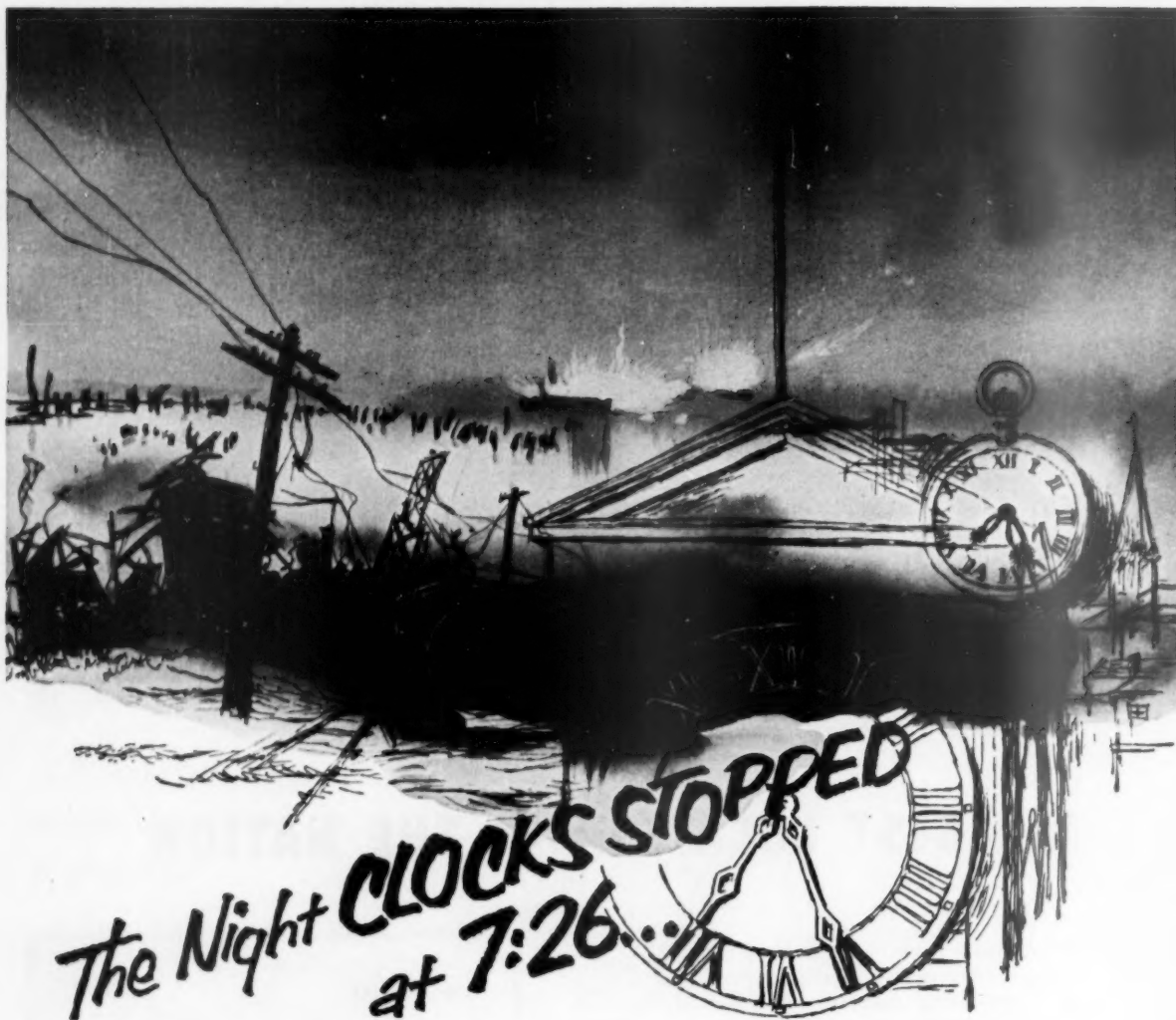
The **PERMACEL** Line meets all waterproof tape requirements as well as more exacting custom requirements with . . .

Top Quality at all price levels

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PRESSURE SENSITIVE
CLOTH TAPES



INDUSTRIAL TAPE CORPORATION, NEW BRUNSWICK, N. J.



The Night CLOCKS STOPPED at 7:26...

Some 9,500 people were in South Amboy, N. J., that drizzly evening in 1950. At the waterfront, longshoremen were transferring the last of 12 freight cars of ammunition to lighters that would carry it to a waiting vessel in Raritan Bay.

But the City Hall clock never got to 7:27—and the freighter's deadly cargo never got loaded. Explosions shattered windows over a

radius of 12 miles; and hundreds of people looked at their arms and legs and saw that flying daggers of glass had stabbed them.

At dawn, 312 of the injured had been counted.

★ ★ ★

Such disasters have happened many times before in America. They could happen again. And if they do—and *when* they do—there must be blood plasma on hand to take care

of the injured. For blood saves lives!

But blood cannot be mined or manufactured. It must come from the veins of healthy men and women. Men and women who feel concern for a suffering neighbor. So give blood—now!

Whether your blood goes for Civil Defense needs, to a combat area, or to a local hospital—this priceless, painless gift will some day save an American life!



Give Blood Now

**CALL YOUR
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National Blood Program

Business Executives!

✓ Check These Questions!

If you can answer "yes" to most of them, you—and your company—are doing a needed job for the National Blood Program.

- ☐ Have you given your employees time off to make blood donations?
- ☐ Do you have a Blood Donor Honor Roll in your company?

- ☐ Have you set up a list of volunteers so that efficient plans can be made for scheduling donors?
- ☐ Have you arranged to have a Bloodmobile make regular visits?
- ☐ Has your management endorsed the local Blood Donor Program?
- ☐ Have you informed employees of your company's plan of co-operation?


- ☐ Was this information given through Plant Bulletin or House Magazine?
- ☐ Has your company given any recognition to donors?
- ☐ Have you conducted a Donor Pledge Campaign in your company?

Remember, as long as a *single* pint of blood may mean the difference between life and death for *any* American . . . the need for blood is *urgent*!



... he's a ghost of the past

... but the roads of his
day still haunt us!



THE GHOST OF THE OLD LAMPLIGHTER has long since faded away. But the narrow, twisting, inadequate roads built for the traffic of his day still haunt us.

Our roads designed for 20,000,000 autos and trucks are crammed to overflowing with 52,000,000 vehicles — honking, impatient, impotent. Burning up time (\$400 million in time at a penny a minute) . . . Burning up tempers (\$32 million in property damage) . . . Burning up fuel (38 billion gallons)—in 1950 alone. These are precious national resources. We need all our manpower and materials for peacetime prosperity and war-time emergency.

So, let's get rid of our obsolete roads—straighten them, widen them and build new, modern highways — "Good roads are everybody's business."



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TWELFTH OF A SERIES**



Tall Tale

Take Paul Bunyan now, he was born to do big things. Outgrew his first cradle in a week, and his second an' third before they was even finished. Finally put him in a twenty-foot trough his old man built overnight and anchored off Kittery Point. But Paul got restless out there and rocked so hard he made a tidal wave that swamped towns from Bath to Bangor. Hearin' folks talking about what to do with him, Paul wades ashore and disappears into the tall timber, wearin' his cradle like a cap.

to Fabulous Fact

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They are, for example, fluids and resins that keep clothes, shoes and masonry walls dry in the rain; release agents that keep bread, rubber tires, and crankshafts from sticking in the molds. They're electrical insulating materials that double the power per pound ratio in electric machines or multiply by ten the life of electric motors. They're rubber that won't melt in jet engine deicer flaps or crack when bomb bay doors close at 100 below zero.

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**DOW CORNING
SILICONES**

the program, they're going to straighten a hump in the Clear Fork. And that's going to involve closing West 7th Street for a year of reconstruction, both of the bridge and of the river beneath it. Furthermore, the project can't wait until 1956.

So the city is spending \$105,000 on an inadequate temporary bridge on the site of the 1956 structure. Then, two years or so hence, when West 7th is reopened, it will tear down the \$105,000 makeshift and build the \$400,000 bridge.

"Blunder Bridge" is the name one local newspaper has coined for the temporary span.

To Probe D. C. Transit

WASHINGTON, D. C.—It looks as though Congress is finally going to do something about the District's public transportation. The Senate Rules Committee has O.K.'d \$50,000 to finance an investigation of the situation by a joint Congressional committee; complementary legislation is being rushed in the House.

Public transportation here has long been in a state of confusion. The eight different companies in the metropolitan area are subject to regulation by three local agencies plus the Interstate Commerce Commission. There is little provision among the eight for coordination of transfer services, schedules, or fares.

Fares and wages are particular sore points, with the lines and the union locals constantly battling to keep up with or get ahead of each other.

• **Transit Authority**—Biggest headache of all has been the District's own carrier, Capital Transit Co. It has been the cause of an almost constant furor, both in the Washington newspapers and in Congress itself, ever since it was taken over by a syndicate headed by Louis E. Wolfson (BW—Mar.15 '52,p128).

It was Capital that precipitated the present Congressional action, by asking for a fare rise on the plea of poverty—and then boosting the dividend for the third time in 30 months. This boost comes on top of failure even to earn the dividend last year; the balance coming out of a fat surplus built up during the war years.

One suggestion that will be put before the Congressional investigators: a metropolitan transit commission, empowered to regulate routes, schedules, and fares for all carriers operating any buses in the district.

A Shattered Dream?

GREENSBORO, N.C.—Just about a year ago, Greensboro thought it was in the enviable position of having its parking problems licked (BW—Mar.22



Pittsburgh COLOR DYNAMICS*

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Modern painting system effectively uses helpful eye-rest colors to increase efficiency and improve working conditions for clerical and technical staffs.

● Portion of the sales office of the Albion Malleable Iron Company, Albion, Mich., (upper left) and one of the antibiotics laboratories of Parke, Davis & Company, painted according to COLOR DYNAMICS, with restful shades of green on walls and ceilings to lessen eye strain and fatigue.

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efficiency and productivity of workers and heighten their morale.

● **You can also use COLOR DYNAMICS** to create better working conditions in a variety of other ways. Offices can be made to appear longer or wider, higher or lower. You can paint sunlight into dark, dingy stairways or halls. You can give colors to lobbies and reception rooms that inspire confidence and build good will.

● **Here are two comments** typical of those expressed by many hundreds of executives who have used this modern, scientific method of painting.

● **Says T. T. Lloyd**, Vice-President

of the Albion Malleable Iron Company, of Albion, Mich.: "After several years' experience with COLOR DYNAMICS we have found that the appearance of our offices and plant has influenced favorably our community and customer relations as well as our employee productivity and morale."

● **Writes W. H. Mohrhoff**, Superintendent of the Antibiotics Division of Parke, Davis & Company, of Detroit, Mich.: "Even our laboratory workers recognize they can do more and better work—with less physical fatigue—in areas that have been painted according to Pittsburgh's COLOR DYNAMICS system."

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'52,p98). It had set up 10 metered parking lots on formerly vacant business-section property, which it had acquired with parking-meter revenues. By plowing all new revenues back into the system, it expected eventually to reach the point where it could move all parking off downtown streets into lots.

• **Not So Sure**—Today, realization of that dream doesn't look quite so certain. A recent state supreme court decision held that Wilmington, N. C., could not use police officers to enforce parking regulations in off-street lots. A few Greensboro motorists began to use the lots without using the meters. On Mar. 1, after reviewing the Wilmington decision carefully, Greensboro officials stopped issuing overtime-parking citations to violators in the lots. The word spread, and all-day parkers practically took over the city lots.

Last week the city came up with what it hopes may be a solution. It is putting attendants in the lots to keep a record of violators. They will stick an envelope under the windshield wiper of each overparked car, into which the owner is directed to insert as many nickels or dimes as the attendant's record indicates. Those who ignore the attendant will receive a bill from the city for the amount due. If that doesn't work, the city plans to file civil suit against a couple of violators; a few such suits, it figures, ought to go a long way toward convincing unbelievers.

Updates

HONOLULU—Television station KONA-TV is having more trouble going out of business than it counted on (BW—Mar.21'53,p138). Last week a stockholders' meeting was convened and was all set to ratify sale of the station's assets to a new company owned jointly by the companies that operate Honolulu radio stations KPOA and KGU. Then a court order was issued temporarily restraining it from taking any action. The order was obtained by the company's president and secretary, both minority stockholders. Herbert M. Richards, vice-president, owns a controlling interest in the company.

CINCINNATI—Suburban Sycamore Township was all set to get a new Ford plant early this year when some residents sued to stop rezoning to industrial classification of the plot of land Ford wanted (BW—Jan.31'53,p126). Ford immediately canceled its plans to build there. But the rezoning battle goes merrily on. Last week those in favor of rezoning won a round when Hamilton County's Planning Commission voted 10-to-1 to recommend the change. But the opponents swear they'll carry the issue all the way to the U.S. Supreme Court before they'll give in.

INTERNATIONAL OUTLOOK

BUSINESS WEEK

APR. 11, 1953

A BUSINESS WEEK

SERVICE

Western diplomats are no longer calculating in terms of a mere shift in Soviet tactics. They suspect a **basic shift in Soviet strategy** is under way—a shift that could take us from the cold war to a “cold peace.”

If that's what is in the offing, a truce in Korea would be only the first of several big Communist moves.

The next might be an offer to unify Germany on terms the West couldn't reject.

It's not just the new Russian diplomatic line that impresses Western foreign offices.

Equally important is the evidence that (1) a bitter struggle for power is going on in the Kremlin; and (2) both at home and abroad, Stalin's policies are being repudiated in the process.

There's proof of this in the release of the Soviet doctors who were charged with murdering top Soviet leaders, including Zhdanov.

True, there's no way of knowing who is behind this move. It might be a case of Beria pushing Malenkov in the face. Or the army might be taking a crack at both the secret police, which Beria heads, and the Communist Party, which Malenkov used to reach the top.

What does seem clear is this: The repudiation of Stalin will go much further, at home and abroad, before the new Kremlin policy stabilizes.

There's no doubt that a Soviet offer to unify Germany would be a big retreat for Moscow. There was a day when the Kremlin expected to add West Germany's industrial strength to the Soviet orbit.

Now a deal on Germany would mean withdrawal of Russian troops from the Soviet zone. What's more, it would seriously weaken Russian influence in the satellites.

And in the end a free and united Germany could become a real military threat to Russia.

On the other hand, such a development in Germany would immensely embarrass the West. It would completely reverse the trend toward unity in Western Europe and undermine U. S. policy there.

Take the French attitude toward Germany, which is the key to the problem.

French plans for joining Germany in the Schuman Plan and the European Defense Community were based on the prospect that Germany would remain divided indefinitely. The idea was that West Germany would approximately equal France in population and industrial strength.

Any prospect of a unified Germany of 70-million people and an industry much stronger than France's would definitely kill French support—already doubtful—for EDC. It might also wreck the Schuman Plan.

Even the strongest French advocates of European unity admit that France could never enter a partnership with a united Germany.

Japan may be in for a period of political instability and strained relations with the U. S.

Next weekend Japanese voters will elect a new House of Representatives—the second in six months. And the odds are against a victory for Prime Minister Yoshida's Liberal Party.

It's more likely that Japan will be governed by an uneasy conservative

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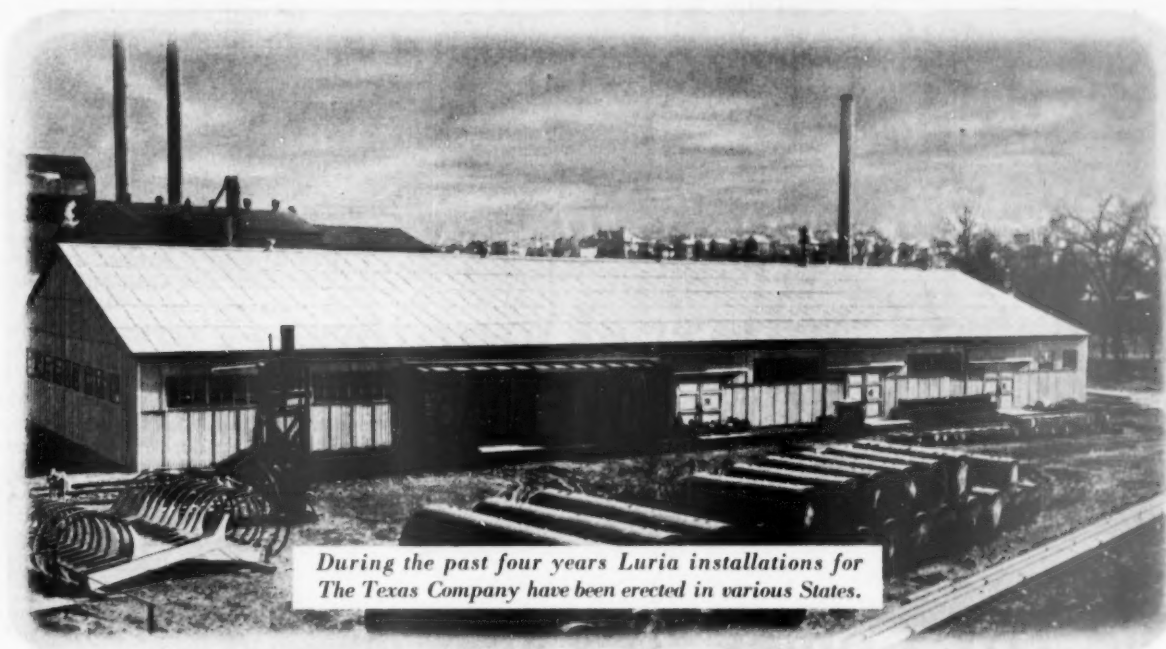
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INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

APR. 11, 1953

coalition of Mamoru Shigemitsu's Progressive Party and Ichiro Hatoyama's rebel Liberal faction.

It was personal ambition that led Hatoyama and other dissident Liberals to undermine Yoshida several weeks ago.

But now the Communist peace offensive has thrust big national issues to the fore in the election. Already it's clear that if the shooting stops in Korea any new government must go slow on rearmament and move rapidly to open trade with Red China.

Most Japanese, including businessmen, oppose rapid, large-scale rearmament. They dread the return of military influence in government.

True, heavy industry recently broke ranks on this question. It came out for an arms program in the hope of getting orders for idle factories. But now this group is calling instead for trade with mainland China.

All this spells trouble for Washington policy makers.

There'll be no fight for lower U. S. tariffs this year.

Groups that have been talking up freer trade will be on the defensive—supporting Eisenhower's request for a one-year renewal of the Reciprocal Trade Agreements Act as is.

The Administration will buck protectionist moves, probably can get RTA renewed in its present form.

But Congressional protectionists are pretty sure of at least one victory—a tougher Tariff Commission.

The tipoff came this week when Eisenhower appointed Joseph Talbott, a high-tariff man, to the commission (picture, page 152).

Now there'll be pressure on the Administration to enlarge the commission membership from six to seven, thus ensuring a high-tariff majority.

That could mean a steady stream of recommendations for duty hikes. For political reasons, Eisenhower would have to accept some of these.

Eisenhower counts on a one-year renewal of RTA to give the Administration time for a thorough study of U. S. foreign economic policy.

It's still not clear who will head up the study or what the approach will be.

Originally, Lewis Douglas was slated to be chief drafter of the new policy. He was expected to lean toward lower U. S. trade barriers.

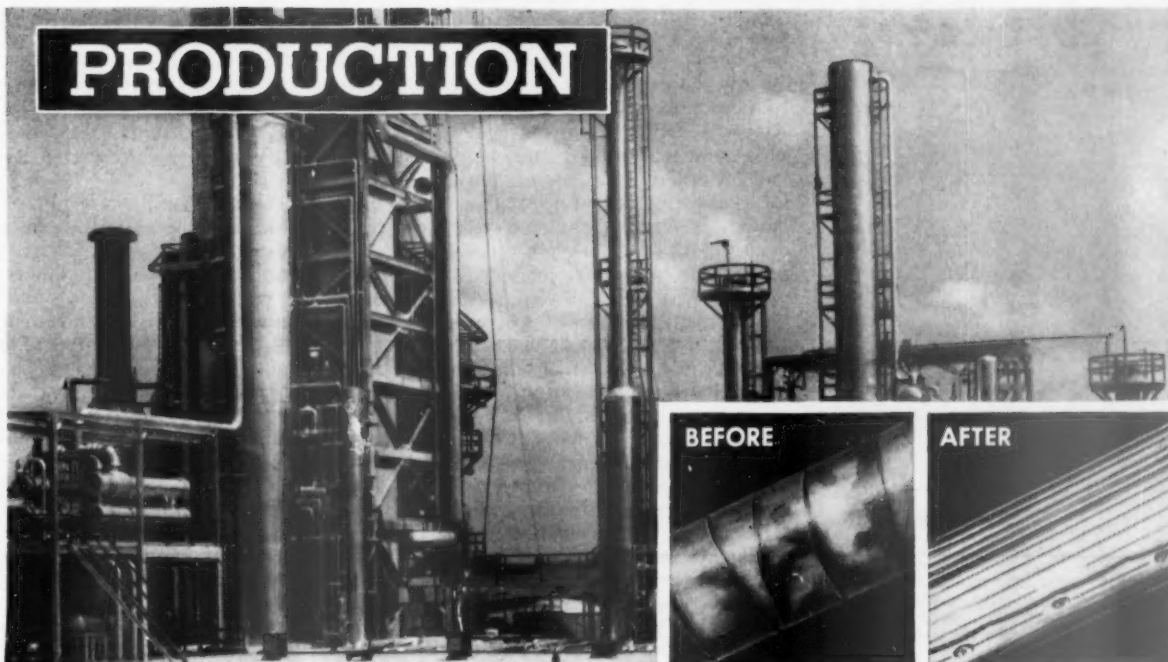
Now there's a chance Commerce Secretary Weeks may get the assignment. Weeks probably would favor more protection for domestic industry.

There's hope for a break in the bitter tin nationalization battle with Bolivia. Reports at midweek said that the La Paz government has agreed to partially compensate the expropriated Patino mining interests.

Patino, so the story goes, will get 5% of the net proceeds from sale of ore from its former mines. Much of it is now being shipped to Britain.

Patino is the only one of the three nationalized tin producers with many U. S. shareholders. If La Paz follows through, the agreement might help restore business confidence in Bolivia, badly shattered during the past year.

PRODUCTION



Oklahoma plant uses new kind of aluminum jacketing for weather-proofing insulated towers, vessels and lines—eliminates costly maintenance and replacement of old-fashioned coverings.

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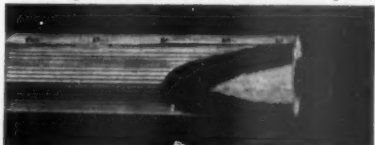
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BUSINESS ABROAD



Old Fox Comes to Call

Washington's red carpet is out this week for Konrad Adenauer, Chancellor of the West German Federal Republic, a statesman who is variously called the "best German," the "best European," and—by his enemies—the "best American." The variety of his sobriquets suggests his unique quality; Adenauer is like no German leader within memory.

West German newspapers note with some satisfaction that Adenauer, as the anchor man in a relay of European leaders to Washington, doesn't come seeking aid; nor, they say, is his briefcase bulging with insoluble problems to lay in Washington's lap. Rather he comes as the "star pupil" of U.S. policy in Europe. His economy is strong, his political position surprisingly stable.

• **Festive**—Adenauer's U.S. junket—the first in history for a German chancellor—will be largely ceremonial. He'll

be winced, dined, motored, and museumed. He expressed a desire to see the Pacific Coast so he flew to San Francisco late this week. But there was time allotted for serious talk with President Eisenhower and Secretary Dulles.

Those discussions may be of crucial importance. Adenauer's arrival is timed to a critical period in German—and world—history. As an apostle of European unity, Adenauer has alternately wheedled and bullied the treaties for the Schuman Plan and the European Defense Community through an often dubious parliament at Bonn. He believes—fanatically—that Germany can have no future outside the Western family of nations. Now all signs indicate that Moscow is trying to undo Adenauer's work.

• **Unity**—You can expect to see more and more of the spreading Soviet peace

campaign aimed at dismembered Germany. Already there has been a bid to reopen talks on German unity. It's not impossible that the Kremlin will go a lot further in offering a unity deal. The price would be German rejection of its Western ties. The New York Times remarked this week that it would take a "phenomenal man to convince Germans they must look a Russian gift horse in the mouth."

If it can be done, Adenauer may be the only man to do it. Tightlipped and erect, he combines the facial characteristics of an American Indian with an almost Oriental patience and perseverance. He is a devout Catholic. He is a master politician: Friends as well as enemies call him the "Old Fox."

Adenauer is a German phenomenon, the first truly Western-oriented chancellor in history. He has abandoned the basic tenet of German statesmanship that took root in Bismarck's time: that Germany cannot be anything else but a "central power"—the bridge and arbiter between East and West.

• **The Monarchy**—Adenauer was born in 1876, shortly after Germany's victory in the Franco-Prussian War, which Bismarck used to unify the German nation. Victory also gave Germany the iron mines of Lorraine, which set it firmly on the road to becoming a world industrial power. Adenauer grew up during the splendor of the German monarchy—only to see it dashed in 1918, and Lorraine lost as well. Defeat horrified Adenauer, made him a promoter of Franco-German understanding and a bitter enemy of the East German "Junker."

Long before the Schuman Plan was a gleam in statesmen's eyes, Adenauer was talking about economic cooperation across the Rhine. He is a "Ruhr German" whose life has been closely tied to the coal and steel industries. But he bitterly resented the coalition between the Ruhr barons and the Prussian Junkers—one of the foundations of Hitler's power. Hitler's accession cost him the Lord Mayoralty of Cologne in 1933, a post he had held for 15 years.

Adenauer was 69 before he was tapped for national leadership. At war's end, the Allies snubbed him. But in 1947, when the Federal Republic was launched and the occupation authorities had had a good look at German politics, he was a natural for the Chancellorship: tough, conservative, and Western-minded. As a former leader of the Catholic "Centrum" party he had important influence in Catholic Rhineland and in Bavaria.

• **Free Enterprise**—In economic philosophy, Adenauer is the counterpart of

Peron Beckons U.S. Capital

He has decided that Argentina needs outside help to develop its economy. He's paving the way for a new law to attract private foreign investments.

Juan Peron has finally taken off his rose-colored glasses. He has opened a press campaign that's to pave the way for a new law to attract private foreign investments. In doing that, he recognizes publicly—for the first time—that Argentina needs outside capital.

The new law for foreign investment, which is being drafted for presentation at the next session of the Argentine congress opening on May 1, marks a big change in Peronista policy. It shows that cold economic facts have forced Peron to drop, for the present at least, his doctrine that all foreign capital is predatory and that Argentina has the means to develop its own economy.

- **Attractions**—No draft of the proposed law has been published yet, but official "leaks"—released through the Peron-controlled press—give a pretty good indication of what can be expected. They suggest that it will offer one, maybe two attractions to U.S. and other foreign investors:

- It will include a provision for eventual repatriation of new capital—a guarantee that Peron has steadfastly rejected in the past.

- It might provide the same guarantees for foreign capital already invested in Argentina—\$400-million in U.S. investments alone.

- **Guarded Optimism**—There is little chance that Peron will throw open the door to all investors. As it looks now, the law will provide merely for bilateral agreements between the government and individual investors. The Argentine government will tell prospective investors where they can place their funds, with metals and oil getting top priority. And it will decide what profits they can make and what percentage can be repatriated.

That's just one of the reasons why present and potential U.S. investors greet the new law with a cautious, wait-and-see attitude. Their experience with Argentine laws already on the books leads them to take a pessimistic view of all of Peron's "model justicialist legislation."

- **Dangers**—For example, Argentina already has a law providing for the transfer of a maximum of 5% of the profit on registered foreign capital investment. But so far, no company's statement of earnings has been accepted. And for the past two years no company has been given a permit to remit 5%—even based on the government's calculation of in-

vestment. Because of this, bankers estimate that frozen U.S. profits in Argentina now total about 800-million pesos. That's around \$140-million at the average investment exchange rate, but it comes to barely \$56-million under Argentina's present "free official" rate.

Then, too, investors will hold back any final judgment on the new law until they find out how it will jibe with other laws that are in direct opposition to it. There is a constitutional provision that the government has the right to take over any business at will, whether it be domestic or foreign. And the law setting up the second Five Year Plan stipulates that the government is to control domestic as well as foreign commercial activities.

- **Peron's Motives**—Although investors have good reason for taking a dim view of all Peron-inspired legislation, there is a strong probability that this time he really means to give foreign capital a better break—for the present, at least. No one figures his anti-U.S., nationalistic views have undergone any fundamental change. But Argentina needs foreign capital—a lot of it—if its grandiose Five Year Plan (BW—Jan. 10 '53, p114) is to come anywhere near fulfillment.

And even if the expansion program were dropped, Argentina would still need capital just to keep industry at its present level. The annual economic report for 1952 that has just been released by the Argentine Chamber of Commerce states that industry last year suffered from a lack of funds and materials, and that commerce was handicapped by high costs and taxes on one hand and by a shortage of capital on the other.

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The Pictures—Cover by Bob Iscar. Associated Photographers—70, 71; Gus Bundy—122, 123; Leo Choplin—48; Bill Clinkscapes—172; A. G. Fryer, Black Star—101; George Harris—170; Int. News—158 (top); Bob Iscar—34 (lt.), 86, 90, 158 (bot.), 159; Herb Kratovil—44, 45; McGraw-Hill World News—150; Ezra Stoller—100; Miriam Troop—148; United Press—31 (rt.); Wide World—28, 31 (lt.), 32, 34 (rt.), 152; Dick Wolters—159; Chas D. Wood—84.

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Company _____
Address _____

many a middle-road Republican—an orthodox free enterpriser with a good dose of social reform thinking. While he is not universally popular among German businessmen (many of them would prefer to stand aloof and do business with both sides in the cold war) most industrial groups support him. And his government supports business. The counsel of powerful business associations is heeded and respected in Bonn; many of Adenauer's coalition deputies are millowners and small businessmen.

Adenauer's economic policies—plus heavy infusions of U.S. aid—have set West Germany's economy blooming. Living standards in many cases are up to or beyond prewar levels. You can see the measure of West Germany's economic dynamism everywhere in the world where German salesmen are bidding against—and often beating out—U.S. and British companies.

• **Maneuvering**—It has taken a deft combination of cajolery, concessions, and whispering on Adenauer's part to control his government coalition with its disparate liberal and nationalistic elements. From outside the coalition, Adenauer has been assailed by the powerful Socialists and the inevitable Communist fringe on the left, and by neo-Nazis on the right. So far he has come out top dog.

Barring a major economic jolt or a complete turnaround in the cold war, it's reasonable to assume that the Adenauer coalition can hold the German government in next fall's elections.

Adenauer would get the four more years he feels he needs to carry on his work.

Meantime, the Chancellor counts on his U.S. trip to add luster to his position at home. He can point with justifiable pride to the job he has done to raise a morally and materially defeated nation to an indispensable ally of its conquerors.

Don't expect long communiques from Washington talks with Adenauer; nor will there be important "concessions" to Adenauer. Each party knows pretty well where the other stands. On the Saar dispute between Germany and France, Washington can only urge Adenauer to be patient in his negotiations with Paris. The U.S. can't jeopardize French cooperation by siding with Germany; Adenauer can't appear to give in to the French view without losing out at home. There will be talks on the problem of refugees and the status of Berlin. There's difference of opinion between Washington and Bonn over the size of Germany's defense contributions—but not so great that it can't be hammered out.

• **Kremlin**—Most important will be an exchange of views on what can be expected from Moscow—especially in relation to German unity. In that regard Adenauer will need all the prestige he can get. The next year or so may bring rough going for his brand of European-mindedness; Adenauer will need all his proverbial foxiness to hold Germany on its present course. But Adenauer won't get rattled; he knows he holds an awfully good poker hand.



Traveling in Luxury—at a Fast Clip

"Fastest, most modern train in Europe," is what the Italian State Railways calls its new electric streamliner, the ETR 300. It's a permanently attached, seven-car, 160-passenger luxury train, complete with air

conditioning, a bar, and TV. So far only two have been built—both for the 500-mi. Milan-to-Naples run. They can hit a maximum speed of 120 mph., but the present condition of the line holds them down.

Hotels Wide-Eyed

Hotelmen are broadening their view of possible sites, see U.S.-run hotels in every corner of free world.

Bent on building an empire abroad, U.S. hotelmen are eying every major city in the free world as a possible hotel site. Intercontinental Hotels Corp., a Pan American World Airways affiliate, is opening three new hotels in Latin America this year (BW-Mar.28 '53,p167). And last week the directors of Hilton Hotels International met at the Waldorf Astoria to consider a round dozen projects of their own. The board managed to:

- Approve an agreement to lease and operate a \$10-million hotel in Havana, to be owned by the Cuban Culinary Workers' Union.

- Decide to investigate projects in Djakarta, Indonesia; in Cairo, Lisbon, Athens; in Mexico City, Acapulco.

- Hear reports on a Hilton hotel building in Istanbul, Turkey; on the Castellana Hilton opening soon in Madrid; on advanced negotiations for hotels in Rome and London.

- **A Steady Influence**—Not all the projects will pan out, to be sure. But if you add the two Hiltons now operating outside the three-mi. limit (in Puerto Rico and Chihuahua, Mexico) to those already on the drawing boards abroad, Hilton International will be able to boast fully half as many hotels as its huge parent runs in the U.S.

Of all the projects, Hilton people are most tickled with the Cuban hotel, to be ready for visitors sometime in 1955. Hilton had been dickerin' in Havana for five years (under three presidents) to find the right financing for the deal. Then, when the Culinary Workers finally appeared on the scene, Hilton executives report it took only a little over a week to nail down the basic agreement.

The retirement fund of the union (with a bank loan to help) will finance the hotel and get two-thirds of the gross when it's operating; Hilton will lease, manage, and supply working capital in return for one-third of the take.

Conrad Hilton, company president, likes to think of the arrangement as "opening a new era in labor-management relations. The workers are the landlord; we're the tenant," he says. And while that pattern isn't brand-new to the U.S., where a number of union funds own hotels, housing developments, even small industry, the Havana deal could be a steadying example for relations between capital and labor in Cuba and elsewhere in Latin America.

Rockwell Report



by W. F. ROCKWELL, JR.

President

Rockwell Manufacturing Company

ONCE A YEAR we bring our plant managers, division sales managers and headquarters staff together to review the year just closed, discuss budgets for the new year, and to clarify management plans. Naturally, one of the questions that gets quite a going over is "How is business going to be this year?"

We had our 1953 meeting a few weeks ago, and after listening to outside consultants and our own market research department sum up the various factors that affect business generally, our product sales managers had their say.

To an outsider, it might have seemed that they were talking about different things, or at least a different year. Some of them said, positively, that 1953 was going to be better than 1952. Some said just as definitely that 1953 looked threatening.

Of course, their viewpoints were entirely controlled by the market for their particular products, and while their differences of opinion make over-all forecasting more difficult, we were glad to see them. For one thing those differences in business outlook mean that our diversification is working.

One of the principles on which this business is run is that our products and our markets should not follow identical business cycles, so that sales peaks and valleys do not coincide, thus providing a more stable operation. When our sales management disagrees among itself on the outlook, that is diversification at work.

* * *

Newest development in our Nordstrom valve line is valve lubricants packaged in tubes. In tubes, the lubricant is always fresh and clean, easy to handle, and a space and time saver for maintenance departments and supply stores. Since one tube fits all sizes of Nordstrom valves, the inventory problem is simplified. There are two types—one for gun lubrication and one manual lubrication.

* * *

The one hundredth anniversary of the founding of any company is a noteworthy event. But when a cab company can celebrate a century of transportation service, the occasion is even more marked.

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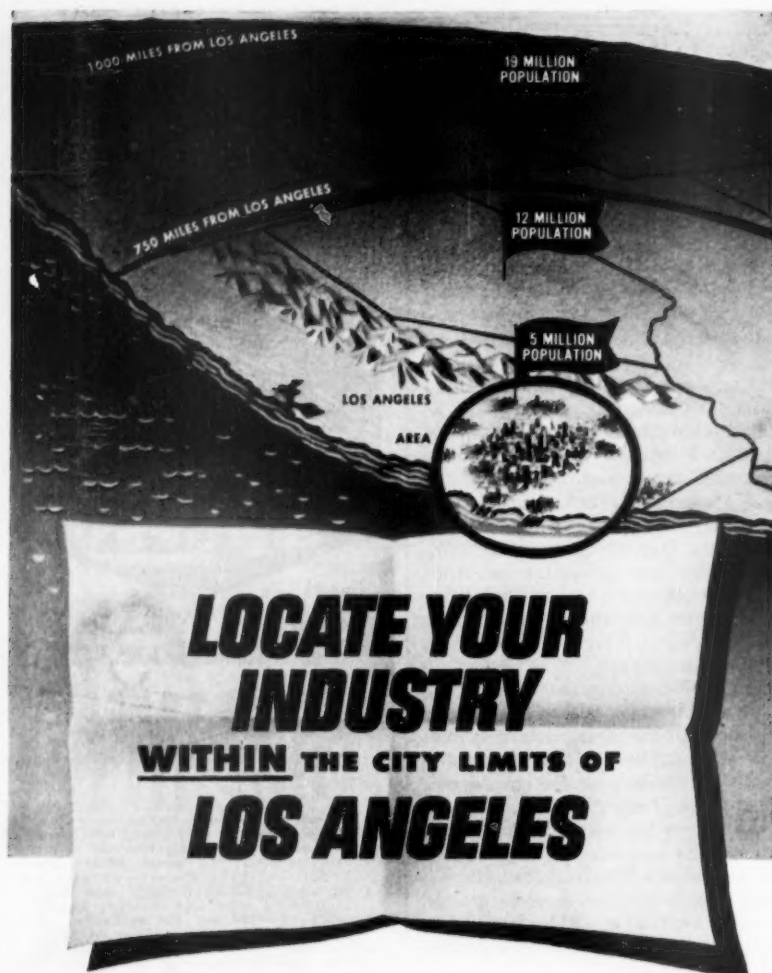
* * *

More Case Histories of Cost Cutting With Rockwell-Built Delta Tools: Three men and a Delta radial saw cut a complete pre-engineered house a day in the shop of Horstman, Inc., Erie, Pa. builder . . . Allen Chambers, Kansas City general contractor, reports that by installing Delta radial saws at the construction job site, he does what used to cost \$1500 in labor for \$350 . . . Copeland Refrigeration Corp., Sidney, O., uses over 200 Delta drill presses. On one job, a \$300 investment in Delta drill presses saved \$24,000 in the first year over the former method, with an output of 200 pieces per day instead of 35, and needs three operators instead of seven . . . Binghamton Die and Machine Co., Binghamton, N. Y., puts a Delta drill press on every diemaker's work bench, rather than to move men or machines around the shop. "It's much cheaper," says Frank Bowie, president.

One of a series of informal reports on the operations and growth of the
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for its customers, suppliers, employees, stockholders, and other friends





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LOS ANGELES DEPARTMENT OF WATER & POWER

Industrial Development Section C

BOX 3669 • TERMINAL ANNEX • LOS ANGELES 54

material shortage is through foreign investment. Argentina is in such a bad economic and financial position that neither government investment nor domestic private investment is capable of doing the job alone.

BUSINESS ABROAD BRIEFS



Joseph E. Talbott, lawyer and former Republican Representative from Connecticut, has been appointed to the six-man Federal Tariff Commission by President Eisenhower. He will fill one of the two Republican vacancies in the bipartisan group, is generally considered a high-tariff man.

Rayon Corp. of the Philippines will spend \$30-million to build the world's first plant for making rayon from bagasse—a sugar cane waste-product. Oscar Kohorn & Co., Ltd., New York, is in charge of construction, will run the plant until Philippine engineers are trained to take over.

The Italian lire is in good shape. It's bringing the official exchange rate of 625 to the dollar on the black market for the first time since the war.

The Cuban government has cut the wages of the 3,000 workers on its 13 henequen plantations drastically—30% on all plantations, additional cuts up to 22% on some. Reason: The world demand for the fibre (used to make rope and twine) has collapsed, with prices dropping from a high of 29¢ a lb. in the spring of 1952 to around 12¢.

West German tire manufacturers cut prices by 5% to 12%. The reduction follows closely on the heels of those on Volkswagen and German Ford autos. It's expected that spare part and accessory manufacturers will follow suit.



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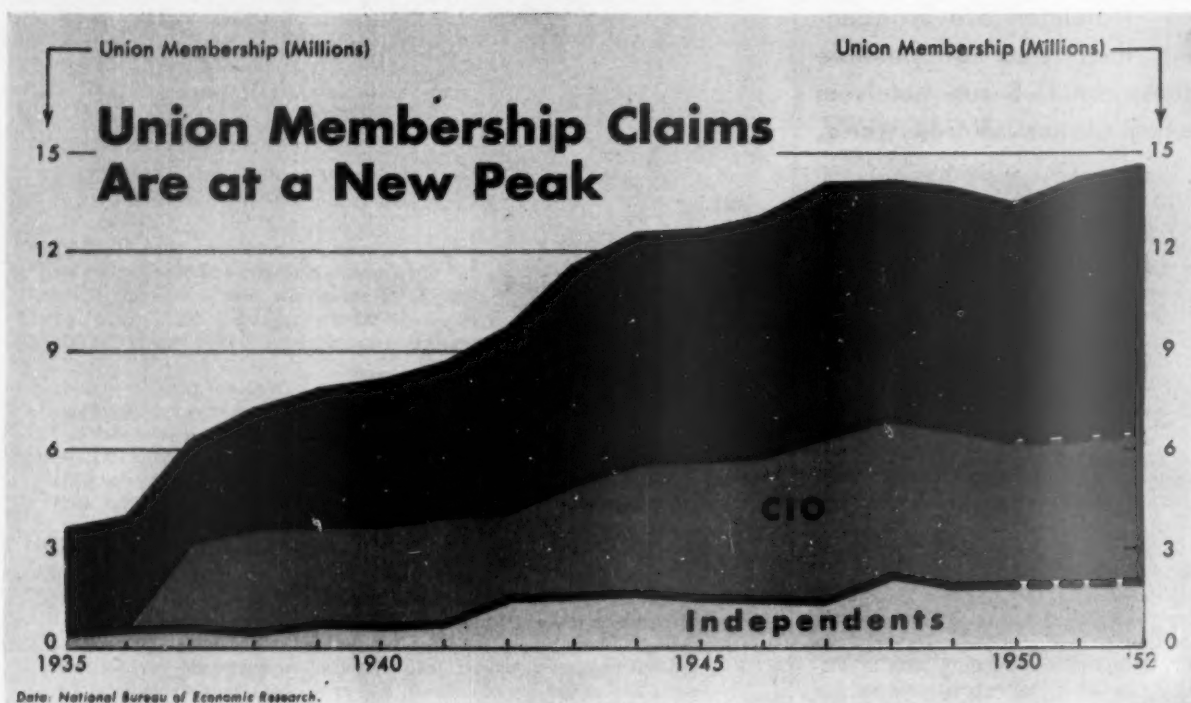


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LABOR



Unity: Talks But No Real Urge

Unity talks that seemed doomed in advance were opened this week by the top brass of America's rival labor organizations—federations representing all told some 12.5-million of the country's 15-million organized workers (chart, above).

Committees from AFL and CIO met in Washington for the first of what will be—unless broken off—protracted merger talks. They met cordially, and expressed “a great hope” for success. For the moment, at least, old unity problems—of union jurisdictions, officers' jobs, power, prestige, and conflicting union philosophies—no longer appeared to be insurmountable barriers.

Negotiations got off to a constructive start, with the appointment of a joint subcommittee assigned to work on three problems: elimination of raiding; methods of drawing the jurisdictional lines of rival unions; and an agenda.

The full committee will meet again in the first week of June.

However, one essential element for successful peace talks seemed to be lacking. Everybody talked unity willingly enough, but nobody seemed to have a real desire for it.

• **Why Not?**—There are reasons for their feeling as they do.

• Neither AFL nor CIO really be-

lieves it has anything to gain by a merger now.

• Neither feels it is seriously threatened in any way by the other.

• Both are convinced that they can work together, if necessary, in any emergency—economic or political—without the formality of a merger. They did so, successfully enough, through the United Labor Policy Committee in the troubled early days of the Korean conflict. They feel they can do it again, if they need to.

Then why go through the motions of discussing unity? Perhaps because it is the statesmanlike thing to do at this time—when AFL and CIO have new leaders. Certainly, this is an appropriate time to explore whatever possibilities there are, no matter how slight.

Succeed or fail, the new leaders will get credit for trying to negotiate labor unity.

• **Conflict**—Walter Reuther, CIO's peppery new president, indicated how labor's leaders really feel about unity several weeks ago. He made public a list of four “basic principles” that AFL must meet as a condition of merger, among them elimination of all racketeering and racial discrimination in AFL (BW—Mar. 28 '53, p170).

AFL reacted angrily not so much to

what Reuther said as to the fact that he said anything at all. There was an understanding that the parties in the unity discussions would not make any specific public statements, due to the delicate issues involved. George Meany, AFL's president since last fall, declared his “disappointment” in Reuther.

When AFL leaders came into the conference this week, they insisted that there be no fixed conditions. Reuther backed off temporarily from the “basic principles” and agreed to a joint announcement that “both sides came into the meeting with no prior conditions.”

The significant thing in the exchange was the resort to publicity. If there is anything at all consistent about the behavior of labor leaders, it is their public reticence when they are really intent on making a deal. They play their cards close, then, and say nothing.

The Reuther statement and the retorts to it must, therefore, be considered the beginning of a contest to place the blame for the failure of negotiations.

• **Recurrent**—Since 1937 there have been seven formal attempts at a merger (the last in 1950), and many other overtures for unity that died aborning. Reuther told a television audience that earlier unity talks failed because “there

C of L: Down

BLS this week issued "old" index figures for January and February. Result: pay cuts for 3-million workers.

The Bureau of Labor Statistics this week resumed, for six months, its "old" consumers' price index based on 1935-39 prices and buying habits. As a result, more than 3-million workers under cost-of-living "escalator" contracts will lose up to 3¢ an hour in wages.

BLS' delayed "old" figures for mid-January (190.3) and mid-February (188.6) were down sharply from the bureau's mid-December index of 191.0—originally intended as the last figure to be issued on the original basis (BW—Jan. 24 '53, p144).

The bureau dropped the "old" index, as outdated, at the end of 1952. It began issuing a modernized index using 1947-49 prices and buying habits. But escalator contracts covering more than 3-million workers are linked to the old series of figures; to lessen the confusion of transition to a new index basis, the White House ordered the "old" figure revived and issued for the first half of 1953. Technical problems delayed issuance of the last two monthly figures until this week. They turn out to be dropping faster than the new index.

• **Results**—The decline in the "old" index from 191.6 in mid-November to the latest 188.6—a full three index points—cut pay of 1.3-million railroad workers 3¢ an hour. Railroad contracts call for a 1¢ adjustment in pay for every point change in BLS' c-of-l index.

Some 500,000 textile workers in New England will lose 2¢ an hour, due to the mid-February 188.6 index figure. They have the same adjustment date as the rail workers, but a different adjustment ratio: a 1¢ change for every 1.14-point movement in BLS' index.

• **Auto Cuts**—The mid-January "old" index of 190.3 brought a 1¢ cut in the cost-of-living bonus being paid to 397,000 General Motors employees—and other auto employers will put similar reductions into effect before the next pay period beginning Monday.

GM's move was unexpected, and may lead to new tension in current bargaining between the corporation and United Auto Workers (CIO) on contract changes. The union announced earlier this year that it would not accept the BLS mid-January figure as official, since it was computed from data collected after BLS' normal pricing date, Jan. 15. UAW called on GM to postpone action until the next adjustment date, when Apr. 15 figures would be used.

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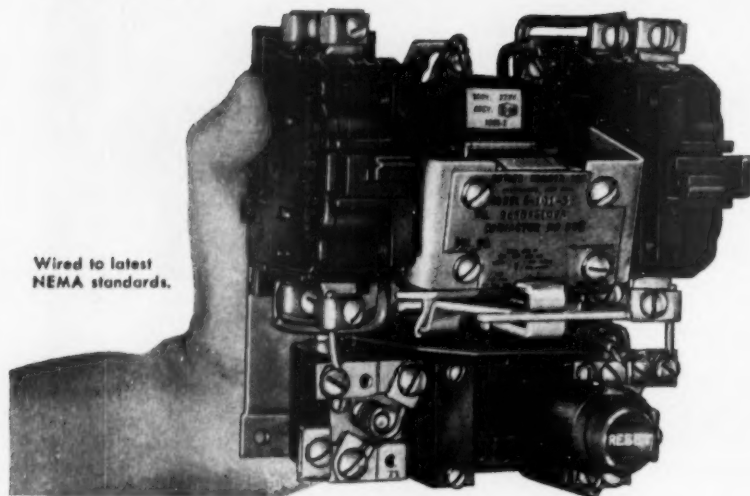
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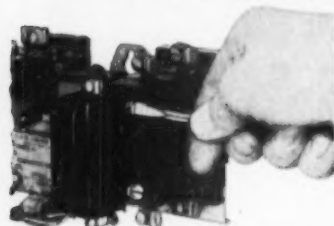
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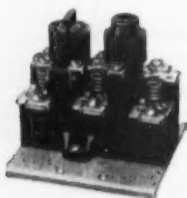
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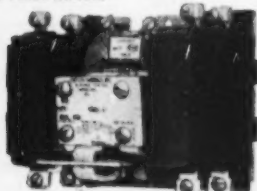
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were no really serious efforts" to achieve labor unity.

These earlier talks certainly were offered to the public in the guise of serious efforts. Reuther's utterance raised a question of what has happened in the meantime to make 1953 peace efforts more serious than the others.

The personalities at the top have changed, a fact that could make all the difference. But does it? There is nothing to indicate that Meany and Reuther want unity any more than William Green and Philip Murray, their predecessors, did.

• **Secure**—Moreover, nothing has happened to make the federations they head want unity more. AFL has continued a slow growth and is comfortably secure. Its affiliated unions pay per capita tax to the federation on about 8-million members, and may have a million more than that (BW—Nov. 29 '52, p114).

CIO, with a possible 4-million to 4.5-million members, is still strong enough to remain independent, although it hasn't shown any real growth in recent years. Its greatest threat is from within—the possibility of an irrevocable split between Reuther and David J. McDonald, president of the United Steelworkers. More than half of CIO's strength is concentrated in USW and the United Auto Workers, headed by Reuther.

If McDonald should quit CIO, Reuther and CIO would be left weakened and demoralized.

The reports that this is about to happen seem premature. McDonald still has to strengthen his personal leadership in USW to the point where he would not run the risk of rank and file rebellion.

• **What It Would Do**—A consolidation of AFL and CIO unions in one big federation, with a genuine pact against cannibalism and internal war, would hold both advantages and disadvantages for labor and management.

Whatever its goals, organized labor could progress faster with one voice than with two. An end of feuding—in textiles, for instance—would permit more energy to be applied where unions think it most strategic.

Management that accepts collective bargaining but has been victimized by interunion wars would benefit by peace. Management that resists organization would face greater pressure in the event of labor unity.

For the most part, a merger makes sense—to the rank and file more than to those who have power and prestige at stake.

The labor federations are a collection of personal domains. The individual leader believes in unity in the abstract, or to the extent that it does not threaten his power and prestige.



peaceful like this recent meeting between the union and U. S. Rubber. Last week's authorized strike was a rarity, though wildcats are still a problem.

Days, and Caution

union called out the men, though bargaining sessions continued almost without a battled eyelash.

• **In Midstream**—The union won a comprehensive medical insurance plan covering workers and their dependents plus increased vacations and some changes in the grievance machinery. The company, in granting the medical plan, permitted its separate welfare agreement to be reopened ahead of schedule. The pact had been closed tight until 1955.

But URW didn't press for any wage demands at the U. S. negotiations. Instead, it settled for a wage reopening clause that it can exercise anytime during the two-year life of the new pact. URW signed a similar pact with Goodyear earlier this year. Later, possibly next fall, it will ask Goodyear and U. S. to talk wages, but right now it doesn't think it's the right time.

For one thing, the union won 10¢ hikes all over last summer. And since its wage talks usually involve protracted sessions, it figures it ought to wait a year before it ties up key men again. What's more, URW wants to see

which way the wind will blow now that controls have been lifted. Besides, it figured it could gain more on fringes if wages weren't even an issue, since the company couldn't take the position that "if we give you a dime, we won't be able to extend fringes."

In general though, the union's whole approach to bargaining and day-to-day dealing with employers is caution plus toughness where it counts. Its plan to forego wage boosts now was an example of its watchful waiting policy, and its calling of the U. S. strike shows its militancy. Union officials felt that bargaining was taking too much time. Normally when a pact expired during talks, URW would agree to day-to-day extensions, but this time it just let the men walk out, as a warning to employers to cut the delays.

• **Over All**—URW's president, L. S. Buckmaster, in many ways sets this official tone of the union. A Hoosier ex-schoolteacher turned tire builder, he is soft-spoken, and mild-mannered with a penchant for lecturing his members. In the industry, Buckmaster is generally regarded as reasonable—too

reasonable, some of his union rivals are inclined to believe.

At the top level at least, Buckmaster's manner is reflected in the URW policy of responsible unionism and a minimum of international-approved strikes. But balancing him, even at times outweighing him, is the often rambunctious individualism of local leaders and the rank and file.

II. Building Up

One of URW's biggest troubles in the last few years—though diminished now—has been wildcat strikes, particularly in Akron. Unlike workers in many other heavy industries, rubber workers are not of recent immigrant stock with strong ethnic kinships and a tendency to act as a whole. With the expansion of auto production, tires grew too, drawing their labor largely from the backwoods of Tennessee, Kentucky, Alabama, and especially from nearby West Virginia. And when something bothers rubber workers, their instinct is, simply to quit work.

• **Disjointed**—Back in the 1930s, when CIO men were setting up central organizations to sign up auto and steel workers and miners, rubber workers were forming unions too, but they were mostly joining a string of disjointed, largely uncoordinated locals in Akron.

AFL locals numbered about 70 in 1934, with nearly 20,000 workers organized in Akron alone. But the federation was unable to hold the organization together. Finally in the summer of 1935, the locals closed ranks as the independent URW. The cement seemed to be the industry's policy toward unions—among the toughest in American labor history. U. S. Rubber sat on the sidelines in Detroit and made a relatively easy peace with the union, but in Akron, such standard anti-union devices as labor spies and company unions were widespread.

• **Bitter Enemies**—The dream of Paul Litchfield, Goodyear's president, the Goodyear Industrial Republic, was a classic company union, though it began, many believe, as a sincere attempt at employee representation. The republic and the company's general approach made Goodyear URW's toughest opponent, and the union fought it hardest. The sitdown strike made its big name in the auto shops of Detroit and Flint in 1937, but it had its first big test a year before in the Goodyear plant. In February of 1936, the union called a strike to protest a proposed pay cut and an attempt by the company to abandon the six-hour day that had become standard as a spread-the-work measure in the depression.

After five weeks, the union chalked up a meager victory. The six-hour day was retained and the company agreed

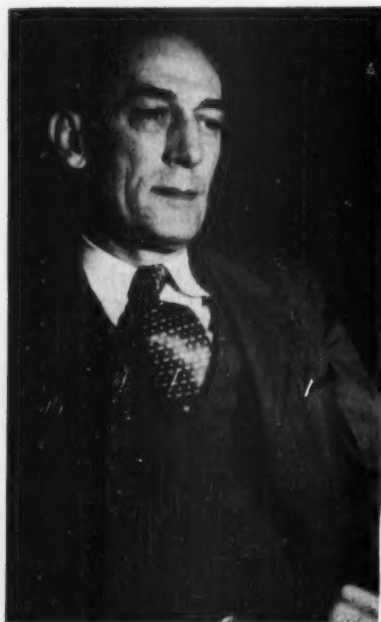


1936 The five-day walkout at Goodyear that saw the first big use of sitdowns was marked by violence but won URW its first victory. By World War II, URW had most of the industry.



NOW Negotiations are generally

Rubber Workers: Sitdowns, Short



PRESIDENT L. S. Buckmaster, soft-spoken ex-schoolteacher, sets the tone for URW.

This is the sixth in a series of appraisals of major American unions.

Outside of a small area in the center of town where a Quaker Oats Co. plant fills the air with the smell of breakfast cooking, the atmosphere of Akron, Ohio, is redolent of one thing—cooking rubber. Three of the big four tire and rubber producers and a string of independent companies are headquartered there. And naturally enough, so is CIO's United Rubber, Cork, Linoleum & Plastic Workers.

I. No. 1 in Rubber

URW, with 200,000 members in the U.S. and Canada—50,000 of them in Akron—ranks as one of the bigger medium-sized unions or one of the smaller big industrial unions, compared with the million or so members in the auto workers or the steelworkers. But in Akron and in rubber URW is No. 1. More than half of its members make auto and truck tires and tubes. The rest—close to 300 locals—are in rubber footwear, mechanical goods such as belting,

rubber reclamation shops, cork, linoleum, and plastics.

• **Concentrated**—Four companies—B. F. Goodrich, Goodyear, Firestone, and U. S. Rubber—employ more than half of these workers. The rest are absorbed by the medium-sized independents, led by Seiberling, General, Lee, Armstrong, and Dayton, and a couple of hundred little concerns, running all the way to back-alley plastics shops.

It's the big four that set the pace and present the bulk of URW's problems. All four major producers have big shops in Los Angeles, and all have plants throughout the rest of the country, with the newest ones in the South and West. The biggest employer outside of Akron is U.S. Rubber, which has its main plant in Detroit.

• **In Midstream**—This week, 35,000 workers in 19 U.S. Rubber plants started back to work after a walkout that came last week as the company and the unions were amicably working toward a new agreement in New York City. In the middle of negotiations, the expiration date rolled around. After a one-day extension of the deadline, the

the extra two hours would be too great a work burden, since production schedules are now based on a six-hour shift.

• **The Scale**—Since 1945 URW has negotiated general wage boosts of 76¢ plus \$100 minimum pensions and the usual fringe benefits. Average straight time earnings for the whole rubber industry now stand at \$1.87 an hour, with footwear rates at \$1.63 and tire-and-tube plants averaging \$2.18.

The top jobs in rubber are those of the calender men and tire builders. Calender operators run the machines that prepare the nylon, rayon, and cotton cord and coat it with rubber. And in a tire plant, a novice quickly learns that tires are built, not made. Tire builders actually construct an entire tire at one station.

• **Displaced**—These jobs carry rates ranging above \$2.50 an hour, and they are close to skilled crafts. But in many of the newer plants, especially in the South, machines called merry-go-rounds have eliminated most of the skill from tire building and threaten some day to take over most of the work of the builders and replace them with unskilled people, even with women.

The union's recent attitude toward technological gains has been complete acceptance, provided it can have a hand in setting the rates. In the long run, Buckmaster figures, the workers displaced by machines will be absorbed into the diverse new operations that most of the big companies have begun in an effort to cushion themselves from the severe ups and downs in a business tied closely to the auto industry.

IV. What's Ahead?

Current estimates of tire capacity run around 130-million a year from today's plants. Output is now around 100-million annually, and that's a record level. In addition to excess capacity, which is a chronic industry problem, tire making is more efficient than it used to be. This situation is giving some union people long-term worries.

• **Gaining**—But URW is stronger than ever. It has more than \$1-million in the till, and it has organized the bulk of the industry. There are possibly 20,000 not under its contracts in rubber. The "cork, linoleum, and plastic" tag was added to its name and its jurisdiction rather self-consciously in 1945. The union has been successful in cork and to an extent in linoleum. It also has some big plastic fabricating under contract.

The bulk of the plastics industry, however, is in tiny garage operations that the union never expects to nab. Beyond that its jurisdictional horizons are limited to the usual "and allied industries" which means maybe another few thousand members, unless URW wants

to try raiding other unions, which it doesn't seem to be interested in doing.

• **Comeback**—Over-all, it's a rather stable organization. The last enclave of factionalism was wiped out in 1949. In that year, Buckmaster was thrown out of his job by what he calls "a combination of left-wingers and overly ambitious men." His executive board tried him for usurping the power of a local. But most observers think the board really objected to his mild approach to employers. At the 1948 convention it had already begun to look as though Buckmaster was on the skids when he beat his rival for the presidency, George Bass, by only two votes out of more than 1,600 cast.

By the time of the 1949 convention, Buckmaster had rewon enough strength to beat Bass 867 to 727, and his candidates for the other offices and for the executive board were also swept in. Among them was Joseph Childs, the present vice-president and generally conceded heir apparent.

• **Down to Earth**—The rubber workers' future plans have little of the glitter and pie-in-the-sky-on-earth of, say, the auto workers. The international's policy committee recently recommended a study of the guaranteed annual wage, but Buckmaster doesn't sound as though he is planning any kind of all-out drive for it soon.

As for long-term contracts, the union is flatly against them. The URW standard recently has been two-year pacts with wage reopeners anytime. Officials concede that a great deal of the staff's time is spent in negotiations, possibly more than other unions of its size. But they feel that with the complex incentive system that they have, they need frequent renegotiating of wages. And they point to their own record of increases since the war as evidence that they neither want nor need escalators or specifically earmarked productivity hikes.

• **Where to Now?**—URW has become what might be called a "mature" union in the sense that its major growth is over. Now it must decide what it is going to do from here. Three years ago it set up a separate education department and claims to be making good progress with its members. It has also been active in politics, through CIO's Political Action Committee. And it has taken a hand in other community activities. But it has begun to wonder what happens next.

As Buckmaster put it, a little wistfully, "Maybe this push-button unionism isn't so good all the way around. We press a button and the man becomes a member through the union shop clause we have in our contracts. We press another button, and his dues come into the office through the automatic check-off."

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Standard and special formulations of plastics, extruded in the form of tubing, tape and other shapes, are being used in increasing quantities for the insulation of wiring and leads on electrical and electronic equipment.

Reason for the growing popularity of these plastic insulating materials, which are manufactured by Irvington Varnish & Insulator Company under the generic trade-name of Fibron, is the adaptability of plastic formulations to the constantly changing requirements imposed by service conditions on electrical equipment. Among the operating requirements which have taken on new importance in the last few years are:

• **Higher temperatures.** A major trend in the design of electrical equipment is toward savings in space, weight and cost by running the conductors hotter. Since insulation temperature rather than conductor temperature is the limiting factor in electrical design, this trend puts a more severe strain on the insulation. Fibron formulations of tubing and tape that stand continuous operation at 221° F. have been developed for this type of service and have broadened the usage of this type of material.

• **Sub-zero temperatures.** High-altitude flying is bringing electrical equipment into contact with very low temperatures. Fibron is also extruded in formulations that do not become brittle at temperatures as low as -95° F.

• **Corrosive atmospheres.** Because Fibron can be formulated with high resistance to many types of chemical attack, it is extensively used in electrical equipment operating in corrosive atmospheres.

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to consult with employees' representatives—though not the union specifically—on rate changes. Goodyear refused to sign any contract recognizing the URW, and it didn't sign any pacts until 1941. But the union's victory, such as it was, sufficed to boost flagging interest in unionism that had caused URW's dues-paying members to drop to 3,000 at the start of the walkout.

• **A Major Step**—Later that year, URW joined CIO, which had aided it during the Goodyear strike and afterward into 1937. The Communist Party played an active part at Goodyear and elsewhere, but by 1937 its influence, as well as that of some Trotskyists, was confined to a few locals.

In 1937, the second big URW strike occurred, this time at Firestone. It lasted nine weeks, in the midst of which the U.S. Supreme Court upheld the constitutionality of the Wagner Act. Buckmaster himself headed Firestone's Akron Local 7 at the time, and he concedes that the court decision was a major factor in the company's signing the first written contract involving one of the big four.

From then on, the union fought slowly toward contracts with Goodrich, in 1938, and finally with Goodyear. When a union group went down to organize Goodyear's plant at Gadsden, Ala., Sherman Dalrymple, the union's first president, and the others were physically attacked. Dalrymple was disabled for years afterward and finally resigned in 1945 to make way for Buckmaster who was by then URW's vice-president.

III. Rough Spots

At the outbreak of the war, the union had cracked most of the major plants in the industry; consolidation of its strength was all that was needed before it assumed control over the overwhelming majority of all rubber workers. In the meantime, the pattern of sitdowns and quickies that started in the early days continued.

Last year, during an authorized strike of office workers at Goodrich (BW—Apr. 5 '52, p120), production workers in four other Goodrich plants wildcatted, and the tie-up spread to Goodyear and Firestone. All this was in spite of warnings by both Buckmaster and George Bass, then Goodrich local 5 president, that striking production workers were out of bounds. In the course of the strike, Bass and other leaders were jailed for violating a no-picketing injunction. That was only the second authorized walkout at Goodrich in 10 years. But until recently, wildcats have been a thorny problem, and Buckmaster contends that they stem from too much local autonomy and too loose control from the top.

• **Incentive Pay**—Another factor that undoubtedly contributes to unauthorized stoppages is the incentive pay system in use throughout most of the URW bailiwick. Goodrich uses a form of the Bedaux system, which bases rates on a predetermined average output for the operation, and most companies use some variant of the system. Incentives were in use before the union was born, and it has pretty much accepted them, though its policy is to gain as much control of rates as possible.

In most of its contracts, the companies are permitted to establish and change rates, but the union is allowed to dispute them wherever it feels that they are unfair and to carry the question to arbitration. The international now maintains a staff of a half dozen time-study engineers to help prepare the union's case in rate disputes.

• **Some Like It**—But the incentive system is firmly entrenched and the employers like it fine and wouldn't dream of abandoning it. Perforce, the union has learned to live with it. Buckmaster's principal objection to it is the classic union attitude—that it allows "hogs" to speed up and results in "tightening" of the rates for everybody on the job. Many rank-and-filers like it because it allows them to pick up a few extra dollars by speeding up one day and relaxing the next if they want to.

• **Stopgap**—Still another problem for URW is the six-hour day. It is in effect for most production workers in Akron and at U.S. Rubber in Detroit, and it was the rule in Los Angeles plants until the war. Ever since 1935, the companies have been trying to change it in favor of the eight-hour shift.

The union, on the other hand, has resisted every attempt at change. Every URW convention passes a resolution calling for the extension of the short day throughout the industry—though mostly for window-dressing purposes. It is even written into the union's constitution.

• **Unequal**—The union's major six-hour headache stems from the fact that workers outside Akron and Detroit work a regular shift and, even at substantially lower hourly rates, take home more pay from 40 hours' work than the rest draw for 36 hours. It is complicated further by union attempts at negotiations to get higher boosts for outlying plants in an effort to narrow hourly pay differentials between Akron and the hinterland. The result is to push the eight-hour plant take-home pay even higher than the Akron-Detroit level.

But many workers on six-hour shifts are happy the way things are. For one thing, a lot of them do outside work such as plastering, painting, and radio repairing for extra cash. Some even hold down another full-time job. Another objection that many raise is that



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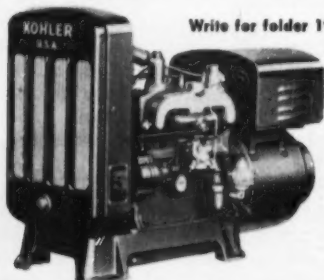
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... is guaranteed annually for 420 employees of St. Louis dry goods company as teamsters sign pact.

Rice-Stix Dry Goods Co., in St. Louis, last week contracted to pay an annual wage to 420 warehouse and distribution workers. St. Louis Local 688 of AFL's teamsters union called the agreement a step forward in a campaign to "stabilize labor relations over a long term" in the industry.

• **Second Step**—This is the second wage-guarantee plan signed by Local 688 in St. Louis. It's in line with the local's campaign to get an annual wage (page 96) for some 7,000 teamsters employed in 300 St. Louis firms.

The guarantee of 2,000 hours' pay a year applies to about 60% of Rice-Stix's 700 employees. Only the 420 with highest seniority are covered. As they quit or retire, the next highest in seniority come under the 2,000-hour guarantee so that the number covered is always 420.

• **Margin for Error**—The 2,000-hour guarantee is for 50 40-hour weeks, including the regular paid vacation period and paid holidays. This gives the firm a little margin for slack times—employees can be off the job as much as two weeks without the company having to pay them for idle time.

There are no "outs" beyond that; the company must pay for the full 2,000 hours even if there isn't that much work to be done—or even if employees are kept off the job by, say, picket lines outside the St. Louis warehouse in a strike of production workers in Rice-Stix factories.

• **Follows the Pattern**—Except for the percentage of workers covered, the Rice-Stix agreement is closely similar to the first negotiated by Local 688 in January—with Brown Shoe Co., Inc. (BW—Jan. 31 '53, p. 130). The Brown Shoe agreement covered 425 of the company's 475 employees, a figure chosen because it was the company's lowest employment during 1952.

Otherwise, provisions in the guarantee are basically the same for both companies, and contract terms follow a pattern being sought by Local 688 in its negotiations with other employers.

The Rice-Stix agreement runs to Mar. 1, 1958, and provides for 50¢ in hourly raises spread in annual 6¢ and 7¢ jumps during that period. The initial raise is 11¢—including 2¢ already being paid as a cost-of-living bonus but not previously a part of regular rates. The contract also provides for c-o-f-l pay adjustments, and for "fringe" benefits in-

cluding seven paid holidays annually, 60 days of sick leave, four days funeral leave, and a variety of other benefits.

• **Safeguard**—The contract specifies that no work shall be done in warehouses and in distribution by salesmen, supervisors, foremen, or trainees—a long-range provision, Local 688 said, intended to safeguard teamster jobs.

LABOR BRIEFS

Group bargaining is planned this year by six major airlines and the International Assn. of Machinists (AFL)—which represents 14,000 airline ground personnel. IAM wants a 25¢ raise and other benefits. Previously, the union had failed to get the airlines to bargain as a group, as railroads do.

Organizing is being stepped up in the South by the Retail Clerks International Assn. (AFL)—which last week announced that it has set up a new southern division under Organizing Director William Kemp and put additional organizers into the southern field "to meet the growing demand for unionism by retail workers" there. RCIA also announced that gains in the last few years have raised it from 25th in size in AFL to eighth.

Profit-sharing plan just agreed on by American Non-Gran Bronze Co. in Berwyn, Pa., and International Union of Electrical Workers (CIO) puts 15% of net profits before taxes into a profit-sharing fund—from which workers with 10 years' seniority receive retirement pay, disability benefits, and severance pay.

Rail strike over management suspension of two conductors accused of "soliciting" on the job ended in Pittsburgh last weekend, after four days. The Brotherhood of Railroad Trainmen agreed the men were at fault; the employer, Union Railroad, nevertheless agreed to pay them \$188.40 in lost pay if they demonstrate over a 30-day period their willingness to do a full day's work. The rail stoppage caused a four-day shutdown of four U.S. Steel mills.

Auto salesmen are being organized by the United Auto Workers (CIO) in UAW's drive to extend its influence beyond auto plants and into repair shops and service stations. The National Labor Relations Board last week ordered McCarthy-Bernhardt Buick, Inc., of Brooklyn, to bargain with UAW and to reinstate with back pay three new car salesmen allegedly fired for union activities.

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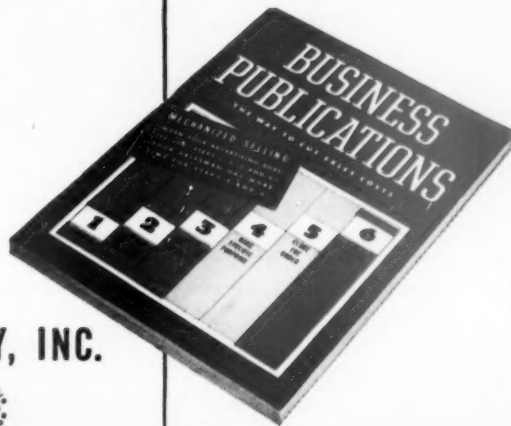
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How Long Must a Salesman



PERSONAL BUSINESS

BUSINESS WEEK

APR. 11, 1953



Don't let signs of a record tourist season discourage you from going to Europe this year. You can still see Europe in ease and comfort—if you go about it right.

And, even though you may not have planned on it, you can probably get good tickets at regular prices for seats at the Coronation. A surprising number are floating around—most of them in the hands of travel agents.

On paper, more than half a million American tourists will flow to Europe this season. That's a 25% increase over last year. But current talk of a jam-up may frighten off many people—as it did in the Holy Year of 1950. Whether it does or not, more ships, planes, and accommodations abroad mean the crowds can be taken care of.

Here's a case in point on the trend: Although tourist and cabin-class space on steamers is booked solid, most lines report first-class passage available for almost every sailing throughout the summer. If you allow a week or two leeway instead of counting on an exact date, chances are you can get space on most steamers. Much the same is true of airlines.

Unless you really know Europe, don't try to plan your trip yourself. That's where the jam-up really takes hold—you are competing for space and reservations with all the other half-million Americans.

Your best bet is to go to a reputable travel agency. If you don't know any, hit one of the big ones—like American Express, Thos. Cook & Son, Ask Mr. Foster. These or any other good agent will map out an itinerary for you. Any Coronation tickets they have will be the best (\$90 for a seat in a government stand in an excellent location).

More important is the service you'll get—for a small markup on the over-all cost of the trip. Agents will make reservations on ships, planes, trains in Europe, at hotels, and for special events abroad.

Bear this in mind: Travel agents have contacts that give them priority on reservations, can get accommodations you could not get on your own. However, they point out that the big rush makes it impossible for them always to get first-class accommodations—especially in England during the Coronation. But they will guarantee clean and comfortable rooms everywhere.

If you don't want to keep a carefully planned schedule, consider doing Europe by automobile. You can ship your own car over and back for around \$400. Add another \$60 for international customs documents needed to cross borders, \$80 more for insurance for six to eight weeks driving on the continent. Two alternatives: Buy a foreign car here for delivery on arrival in Europe, or rent a car over there. The latter method is the cheapest.

Travel as light as you can—but be sure you take the right things. As a basic wardrobe, you should have one dark suit, one light suit, slacks and a sports jacket. You had best take a tuxedo for formal wear, especially aboard ship. You'll find nylon underwear—and at least a few nylon shirts—convenient to carry, and to wash.

If you use an electric razor, and your wife plans to take an electric traveling iron, be sure to get a small transformer and a set of adapter plugs before you leave. Voltages and plugs vary from country to country. And if you shave the old-fashioned way, take a good supply of your favorite

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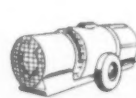
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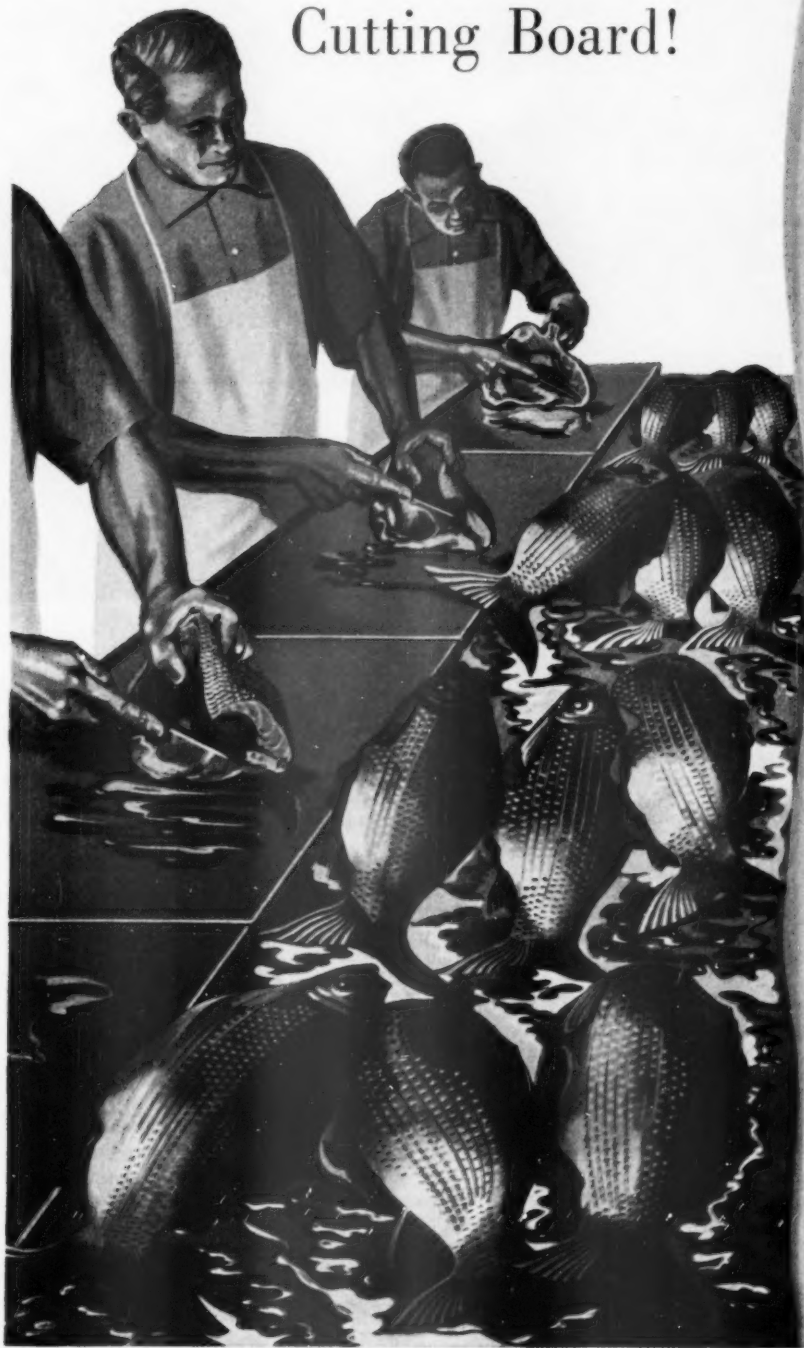


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PERSONAL BUSINESS (Continued)

BUSINESS WEEK

APR. 11, 1953

shaving soap and razor blades; you'll have trouble getting them in Europe.

Leave your golf clubs home—you can rent clubs overseas. But leave room in your bags for plenty of golf balls. They're short in Europe.

Aside from your passport, you'll need one other basic travel document. This is a smallpox vaccination certificate—which you must have to get back in the U. S. It must certify that you have been vaccinated within three years of the reentry date, state what kind of reaction you had.

Be sure to allow at least three weeks for delivery of your passport after you have applied for it. When applying, you must have proof of U.S. citizenship, a witness who has known you for at least two years, and two passport pictures. You, your wife, and minor children can all use one passport. If so, the pictures should include the entire family.

If you do any business in Europe, keep track of the expenses involved. You can take them as a tax deduction. However, you must be able to show that this was a legitimate business operation.

The medical profession is more worried now about the threat of tuberculosis than it was a year ago. Over-hopeful reports of a cure have made the public lax in having periodic checkups. Thus efforts to wipe out the disease have slowed almost to a standstill.

Cause of the setback has been public confidence in the new "wonder drug," isoniazid. This drug, in combination with others, has cut down the death-rate dramatically—it dropped 27% between 1949 and 1951.

But don't count on any drug preventing you or your family from contracting TB. Every day some 343 people in the U.S. get the disease—a rate almost as high as it was 20 years ago.

Chances of recovery, of course, have improved tremendously since then. But the treatment still remains fundamentally the same.

Your own personal price of a cure would probably be 10 months at least in a hospital, much of it in bed. It would be longer if you didn't spot it early. Even then, no doctor can guarantee a cure; it would depend on how well the combination of drugs and rest worked.

The main point to remember: Since TB has not disappeared, be sure to have your family continue the practice of periodic X-rays. Spotting TB early is still the primary factor in its cure.

Consider air conditioning your summer home at the seashore this year. It will not only bring greater comfort, but will cut down dampness, mildew, and other damage caused by salt air.

Air conditioning will allow more latitude, also, in decorating. You can use lighter colors because it keeps the house freer of dust and dirt, makes housekeeping easier.

The day may soon come when you will no longer have to worry about waiters padding your night-club checks. A midwestern inventor claims he has developed a foolproof check that works like this:

The check has a phosphorescent stub that is actuated by a black-light lamp. The cashier writes the total of the customer's check for the waiter on the stub with a wax crayon. This makes any erasure show plainly. Thus the waiter can't boost the total \$5 or \$10, then drop it back to the cashier's total before he turns it in and pocket the extra amount. The check is scheduled to go on the market this year.

there were these more specific reasons:

- Big power projects such as those in the Northwest are pulling electricity costs down in certain sections of the U.S. The electric range is getting cheaper for the family to operate.

- The Rural Electrification Administration is bringing electricity to farmers.

- Suburbs are growing, moving out farther and farther from cities. It's a good deal easier to string a power line to a remote suburb than to lay a gas pipeline.

- And statistics bear out the validity of this reasoning. There are about four gas ranges in use today for every one electric range. But current sales figures show that electric ranges are gaining popularity fast: In 1952, the ratio of gas to electric ranges sold was only 2.1 to one. This in spite of the fact that electric ranges average \$75 higher in price. Before long, Magic Chef figures, the sales ratio will be even—one to one.

- **Problems**—When the company decided to act on this reasoning, it had several weighty factors to consider.

First, it was well aware that the electric range field is dominated by four big manufacturers: Westinghouse, Frigidaire, General Electric, and GE's Hotpoint division. "We know," says Stockstrom, "that we are up against a tough lineup—the four top guys in the industry. But our feeling is that Magic Chef is well known as a household stove. The name will help put us in."

- **Old Allies**—The second factor Magic Chef had to consider was the possible reaction of the gas utilities. They might not like the idea of an old ally putting a foot in the enemy's camp.

In the past, utilities acted as stove dealers on a big scale; stove manufacturers who branched into electricity found their wares boycotted. But Magic Chef doesn't expect much trouble. The marketing setup is different now; the average stove maker maintains a large dealer network of his own, instead of selling his output through utilities. Magic Chef sold as much as 60% of its ranges through utilities back in the 1930s, sells only 20% that way now. Thus, though a boycott would hurt, it wouldn't necessarily be a mortal blow.

Magic Chef notes also that other gas range makers have stepped into electricity during the past few years, and have had little trouble from gas utilities.

- **More Lines**—The unhappy year of 1949 produced other developments at Magic Chef besides the electric range. One thing that came out of it was increased concentration on commercial gas ranges—a field that isn't as subject

to sharp ups and downs as the domestic range field. Magic Chef, since then, has increased its commercial range business by 58%. The company now claims about one-third of all U.S. range sales to hotels and restaurants.

Then came gas and oil home heaters—an immediate result of Magic Chef's sudden passion for diversification. The company had made heaters for years, but not under its own name. It had sold them to jobbers and mail order houses. Now, it redesigned them, slapped a Magic Chef label on them, and began pushing them through its own dealers. The result, says sales chief Pender, has been "too good to be true."

While all this was going on, the company's salesmen were changing their pitch. Instead of just giving the hard sell to gas ranges, they began to push Magic Chef's whole, growing group of products.

And Magic Chef's market research department grew. "It's now an indispensable part of the company's operations. 'Every move we make,' says Pender, 'is predicated on some recommendation that comes out of market research.'"

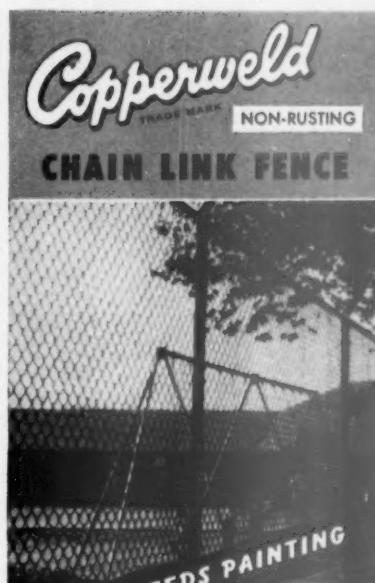
- **Back Then**—In its earlier days, though, the company wouldn't have known what to do with a market research department. There was no central control strong enough to put over such a department's recommendations.

The merger that formed American Stove in 1901 made it the biggest stove manufacturer in the business. It had six operating divisions—each with its own near-autonomous management, its own trade name and sales force. The divisions made six competing lines of cooking stoves, fought each other for sales.

American Stove began to draw together in 1914. The superintendent of one of the divisions, a man named B. E. Meacham, perfected the first oven heat regulator. All of American Stove's divisions put it on their ranges.

Then, in 1929, the parent company decided that "ranges did not become obsolete fast enough." To take care of that, the company's researchers came up with an ultramodern stove called Magic Chef. For the first time, stoves were dated, like automobiles. American Stove's divisions all began to sell Magic Chef ranges, and their own separate lines went out of demand in a hurry.

That pulled the company together fast. Before long, the divisions were limiting themselves to manufacturing. Executive control gradually settled at the top of the company. By 1933 the divisions were making Magic Chefs exclusively.



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DIVERSIFIERS Marc W. Pender, Arthur Stockstrom, and George Eichelsbach once had a one-product company. Now, they're . . .

Broadening the Focus at Magic Chef

An English poet named William Cowper said once that variety is the spice of life. Magic Chef, Inc., would go further than that. For business purposes, Magic Chef will tell you, variety can be a bald necessity.

The company speaks from experience. For years, both before and after World War II, it was virtually a one-product company. Its product was the gas cooking range. There were other lines, but the gas range towered above all of them both in the company's thinking and in its production schedules. Then, in 1949, the range market turned balky. Magic Chef had nothing new to offer its customers. It lost \$1.3-million.

Life can lose a good deal of its spice when you drop that much money. So, after 1949, Magic Chef became almost fanatically diversification-minded. It made all sorts of changes. The latest: It has gone into production of electric ranges.

• **Multiple Switch**—The electric range isn't the only newcomer at Magic Chef. Over the past few years, the company has gone through so many changes that an oldtimer might hardly recognize it.

For one thing, it has a new name. From the time it was formed in 1901, by a merger of nine stove manufacturing companies, until January, 1952, it called itself American Stove Co. Last year it adopted its brand name as the company name.

Then, it has a new set of top officers. After 1949, there was an upheaval in the company's management. Its president, 60-year-old Arthur Stockstrom, stayed on. But a fair number of older men were retired. American Stove got a new secretary-treasurer, a new controller, and new vice-presidents—manufacturing boss George P. Eichelsbach, Jr., 41; and sales chief Marc W. Pender, 46.

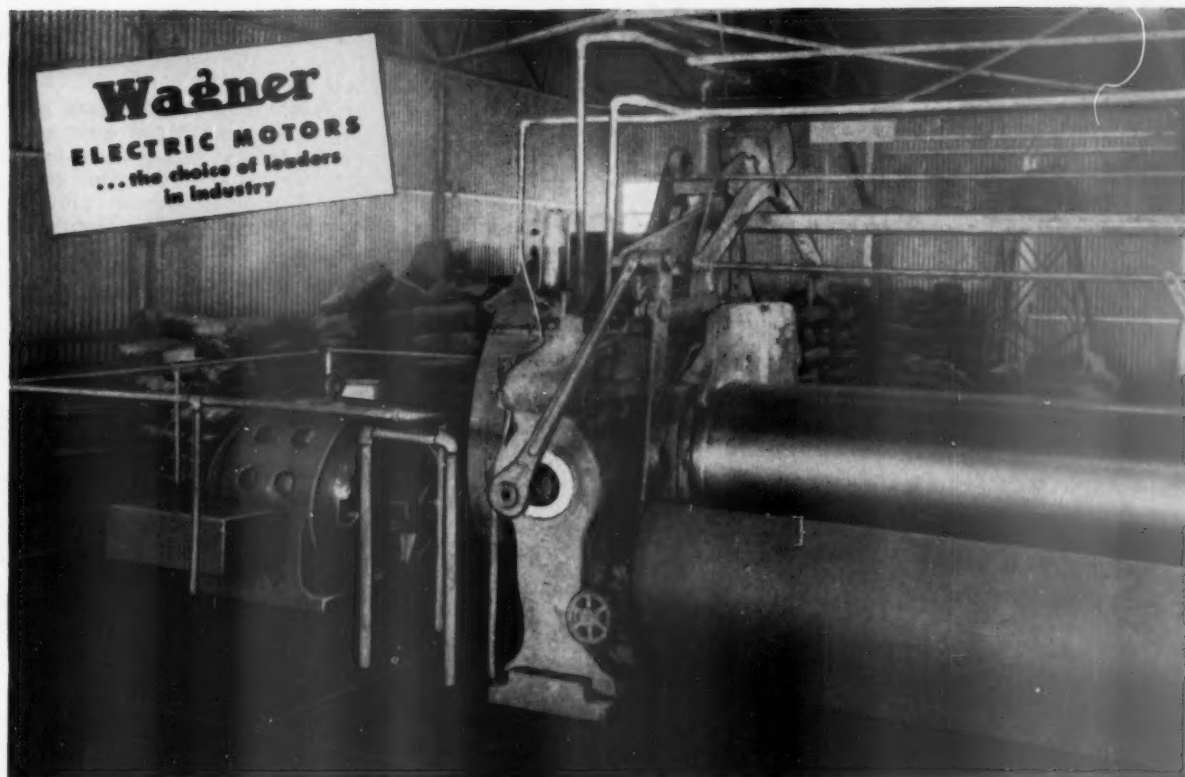
Shortly before that, in 1947, it had built itself a lavish new headquarters in St. Louis, a building that architects called "enlightened." When 1949 came along, says Stockstrom, "our faces were red." Here was the company in a building that spoke of great wealth, losing money hand over fist. But Magic Chef is happy there now. It has all its headquarters operations under one roof, instead of split up as was the case before.

• **Business**—Magic Chef has a sizable backlog of defense business—\$7-million as of Jan. 1, 1953. (It makes aircraft fins, rudders, and wing tanks; rocket heads; and gun mount gearboxes for tanks.) But the company figures that end of its operations is dwindling. Civilian business will gain more and more importance.

Right now, its nondefense output breaks down something like this: Some 61% of its total sales is in domestic gas ranges. (This compares with 85% in 1949, about 95% before the war.) Some 16% is in oil and gas home heaters, 11% in commercial (restaurant, hotel) gas ranges, and the rest in miscellaneous products such as kerosene ranges and room air conditioners.

By next year, Stockstrom says, the company hopes to have electric range production rolling at a good clip. Expected breakdown of domestic ranges: 75% gas, 25% electric. The electric percentage may climb as the years go by.

• **Whys and Wherefores**—What made the company decide to go into business with electric ranges? First, there was the general desire to diversify. Then



Wagner 200 hp wound rotor motor, driving heavy duty rubber mill at Better Monkey Grip Company, Dallas.



first aid for flat tires

Self-vulcanizing tire patches with a built-in "sizzle" have long been a boon to service station attendants.

The Better Monkey Grip Company of Dallas, Texas,

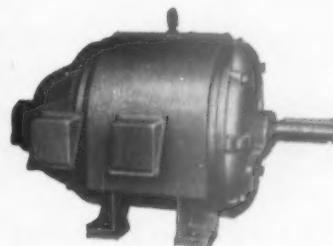
which originated the blunt diamond sizzle patch, is one of the country's largest producers of tire repair materials and other molded rubber products.

The photograph above shows a heavy-duty rubber mill, at the new Monkey Grip factory. This mill, one of the largest of its type used in the rubber industry, is driven by a 200 horsepower Wagner wound rotor motor—which has the ability to start extremely heavy loads smoothly and with low starting current.

This application is typical of how specialized requirements are met from the complete line of Wagner standard motors.

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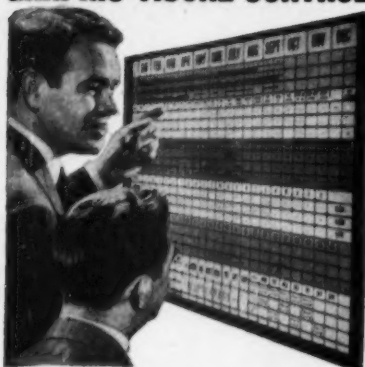


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AIR CARGO PRESIDENTS Thomas L. Grace, Slick Airways, and Robert Prescott of the Flying Tiger Line map out their future course as one air freight carrier, in . . .

A Marriage of Convenience . . .

. . . to forestall a marriage of necessity. That's how the Flying Tiger Line describes its merger with its biggest competitor, Slick Airways.

The whole air freight industry is looking into a rosy future. But two of the largest operators—the Flying Tiger Line, Inc., and Slick Airways, Inc.—have decided their future will be rosier if they face it together.

The merger, which has been in the wind for five years, may give the Civil Aeronautics Board something to think about. Air freight lines, says Robert W. Prescott, president of the Tigers, the surviving company, have too much trouble fighting off subsidized competition to go on scrapping with each other, if they want to survive. Furthermore, this consolidation might well result some day in a certificated, worldwide air freight contract and charter line.

• **Strength**—What brought the long budding merger into bloom was the Tigers' grabbing off of a Navy contract for a scheduled freight run between coasts. Trade talk says that to do it the Tigers underbid Slick so badly that it's a question whether the Tigers can make much profit for themselves out of it.

When that happened, Prescott and Thomas L. Grace, president of Slick, got down to business. They decided that instead of cutting each other's throats every time a juicy contract came along, it was high time to get together and build one strong organization that

they both could get some good out of.

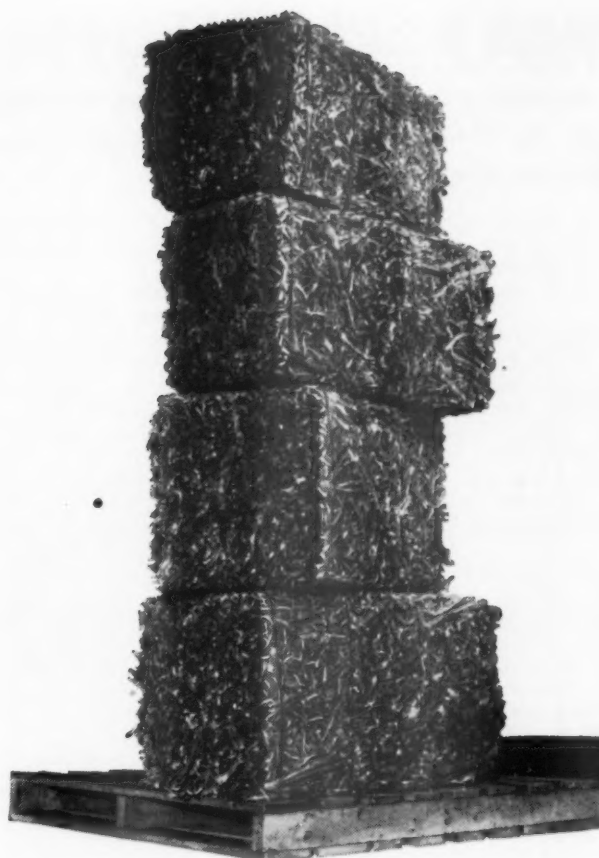
• **A Good Match**—The consolidation brings together two companies with a total capitalization of about \$13-million that last year did a gross volume of \$39.5-million. The company, to become the fifth largest domestic airline, will operate a fleet of 67 planes, five times more than any other cargo fleet. It will serve nearly 100 U.S. cities.

Last year, together, the lines flew about 110-million miles of freight in domestic operation—around 46% of all air freight.

• **Rough Going**—Neither one of the companies has drawn an easy financial breath since its first takeoff. The two were organized within a year of each other—the Tigers in June, 1945, and Slick in January, 1946.

Both companies, though, have done remarkably well financially, considering the sizable organizations they have built up without subsidy. Heavy investments of its chairman, Earl Slick, have helped Slick make money, while the Tigers have met their payroll by wide diversification, plus the canny operations of their amiable but shrewd president.

Financing new equipment has been the biggest problem. Both companies have been bolstering their resources by buying up old planes, fixing them up,



Bales of licorice root on arrival from the Near East.

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Some business—perhaps yours—may soon find an additional source of wealth through licorice. This could happen by improving on some product now in use or developing a brand new one.

A prime example of product improvement from research is to be found in the tobacco industry. For many years now, licorice has been added to certain tobacco products to improve the taste, and also as a mellowing and conditioning agent. And a prime example of a new product as the reward for research is Foamite Firefoam—a foam of great staying power obtained from the "spent" root after completion of the initial extraction process.

Other advances in licorice research are given in the accompanying list of new and potential uses for Nature's sweetest substance. Some of these are still largely experimental, others are making practical gains. But all of them are known to show promise of development. The present diversified uses for licorice suggest that experiments originating in your own laboratories may uncover still more applications for the ancient "sweet root." We don't know all the answers, but we have the licorice and licorice derivatives, plus the know-how, to help you find them.

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and reselling them at a profit. In fact, this nonoperating item accounted for \$904,924 of the Tigers' \$1,561,595 profit in 1952; Slick's total profit that year was \$434,328.

• **Two Routes**—A breakdown of the Tigers' 1952 operations gives a good picture of how it goes about diversifying. That year the company got over \$4-million from common carriage of freight, but it pulled in slightly more than \$8-million from rentals, charters, and service sales, and a fat \$9-million-plus from the Pacific Airlift.

The Tigers have pushed diversification from the beginning, while Slick has concentrated more on exploring the domestic air freight field. The Tigers now operate an international air freight service on a nonscheduled basis, in addition to domestic service. It has petitioned CAB for a certificate to fly the Atlantic on a regular basis.

• **Competition**—If the new company is to grow properly, however, it has one big hurdle to overcome—what the operators call the one-sided competitive struggle with the mail and passenger lines. These airlines get high rates of pay for carrying U.S. mail, parcel post, and air express—which offsets the low revenue they get from carrying air freight in competition with the non-subsidized air freight lines. Under present law, freight lines can't carry mail.

The air freight operators are optimistic, though. Last year, CAB made a bookkeeping breakdown of just how much pay airlines were getting for carrying domestic mail and how much was clear subsidy (BW-Jul. 19'52, p34). In the last two sessions, Congress has been considering legislation that would require subsidy be paid out of a special account, pay for mail services out of another. If such legislation goes through, air freight lines hope it will include some change in the basic law that will allow them to carry mail and parcel post on a nonsubsidy basis at rates in line with air freight tariffs.

• **Formalities**—The Tiger-Slick merger still has to get CAB approval, and stockholders have yet to O.K. it. Officials of both lines feel that will be no problem, in view of the obvious advantages to both companies. Operation economies will be sizable. The two lines now have duplicate facilities and services in 80% of the cities they serve; their two main bases in Burbank are next door to each other; both companies use the same type of equipment.

Financing plans call for the exchange of one-half share of Flying Tiger common plus one share of a new Series B 54% convertible preferred for each share of Slick common. The Tigers will have to issue 225,000 additional shares of common, plus the 450,000 shares of new preferred, to make the exchange for 450,000 shares of Slick.

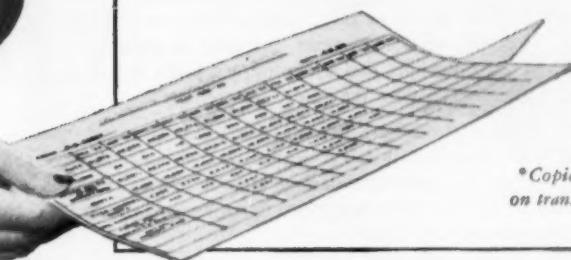
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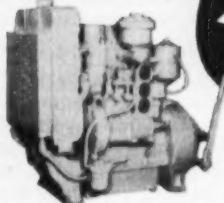
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Can't Keep a Sideline Down

Parker Appliance Co. had no wish to go into molding synthetic rubber. But it had to supply its own needs. Now it's selling mostly to others.

If you happen to invent a better mousetrap in the course of your regular business, you might as well make mouse-traps, no matter how far afield it may take you.

That's the conclusion of the Parker Appliance Co. of Cleveland after more than 10 years in a field incidental to its main line of couplings, fittings, and valves. Parker has stopped trying to disown its rubber division, which makes molded rubber O-rings, gaskets, and other types of seals. Now the company is expanding the marketing force for its rubber products.

Two of nine new industrial sales offices have already opened, and the other seven will open as fast as sales engineers can be trained to staff them.

• **Adopted Child**—Parker's rubber division is small in investment and manpower, but it accounts for 16½% of sales and about 25% of profits. That's not bad for a branch that the parent company tried repeatedly to lop off.

Plants in Cleveland and Berea, Ky., produce 300,000 O-rings a day. Other shaped seals and molded rubber items come from the Cleveland plant and a shop in Los Angeles set up to serve the West Coast aviation industry.

Parker went into this business solely to supply itself with rubber seals for its own line of fittings. Today, although many competitors have grown up, Parker sells 95% of its rubber products to other users. Its head start in the field is paying off in competitive advantages.

• **Necessity**—Until 1941 Parker had no interest in rubber processing. It wanted only to produce its patented types of thin-wall couplings and fittings. Its engineers had also designed a new type of fuel selector valve for the aircraft industry.

A vital part of that valve was a molded rubber pressure sac—it had to be tiny, yet tough enough to withstand abrupt temperature changes and the chemical action of high-octane gasoline. None of the rubber companies had a product with the required properties. What's more, none was interested in developing such a material in the trifling lots that Parker wanted.

Parker hired a rubber-chemistry expert, who quickly worked out the formula. Even then, the rubber companies weren't keen on Parker's 100-lb. orders. War orders had loaded their books; they didn't have room for such a specialized product with its complex recipe.

Parker reluctantly gathered equipment to compound its own formula and mold the material.

• **Getting into Production**—Parker's chemists had no trouble dreaming up additional formulas for other special uses. They've now run up 700 formulas, of which about 100 are in everyday use for molded seals with specialized properties. From the beginning, however, Parker's production men took a dim view of rubber processing and fabrication. Their nose was held to the grindstone by increasing urgency as Parker developed new valves for aviation fuel and hydraulic systems.

One of their problems was to provide a dust-free environment, since a speck of dust could make scrap of the entire output of a mold. Standard rubber molding presses weren't hard to get, but much of the other machinery had to be adapted.

Cutters designed for the leather trade were converted to cutting ring blanks from sheet rubber stock. A household vacuum cleaner was rigged to blow cool air over the molds, more than doubling the daily capacity of a press. A home laundry machine was drafted for cleaning the rings after their final buffing. An aggregate sorter intended for the cement industry replaced 15 girls in sorting the rings for size. Even dental tools were pressed into service in the early days.

• **After the War**—When the war ended, Parker found its adopted child a convenient means of support. The coupling, fitting, and valve business had swung almost 100% into the aviation field; it stopped soon after V-J Day. But the molded rubber products were in demand by a variety of industries. By 1950, the molded rubber division was crowding other departments of the Cleveland plant, with no ceiling in sight for sales volume.

Management set up the Berea Rubber Co. as a wholly owned subsidiary. In 30,000 sq. ft. at Berea, Ky., this division mass-produces 150,000 O-rings a day, equaling the Cleveland output. Berea was selected for its labor supply, including students from the local college, and because of its favorable local tax situation.

• **Automatic**—Parker engineers designed the three-story compounding building to make maximum use of automatic controls. Under preset electrical controls, the exact quantities of materials pour from overhead bins. The mixing

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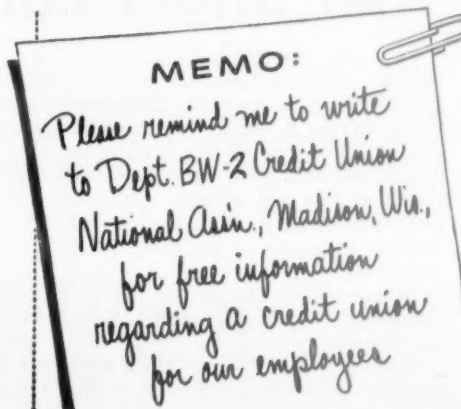
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time, blending, and cooling of the synthetic rubber are supervised by electronic gadgets. And out comes a continuous strip of rubber to the machine that cuts out the mold blanks. Parker invested about \$250,000 in its compounding building alone.

• **Product Diversity**—Today, Parker's O-ring business outshines the other departments, though the original fitting and coupling business has recovered from its postwar blow. Parker makes O-rings in all sizes from 48-in. diameter down to 1/8-in. diameter. The smallest washers are literally worth more than their weight in gold—they sell at \$50 an ounce.

COMPANY BRIEFS

After 18 straight years with a profit, Eastern Air Lines wants to expand. It asked CAB to extend its routes through most of the U.S., including the West Coast; the line now reaches as far west as Texas and the Mississippi. Eastern showed a record net profit of \$8.5-million last year.

Feminine-sounding Ethyl Corp., maker of antiknock compounds for gasoline, elected its first woman officer last week. Mrs. Esther Stapley Lyman is the new assistant secretary.

Home air conditioners are a new line for Worthington Corp., which has long manufactured air conditioning units for industrial use. The company will offer various sizes from window models to year-round heating and cooling systems.

Haloid Co. of Rochester, N. Y., hit a record high of \$14.8-million sales in 1952, an increase of 14 1/2% over 1951. Much of the gain came from the company's new XeroX copiers (BW-Mar. 28'53,p186). Net earnings amounted to \$500,261.

In a poor year for textile goods, Mojud Hosiery Co., Inc., last year rang up its third highest sales. In dollar volume, 1952 net sales were less than 3% below 1951; by number of units, sales were higher than 1951.

Maytag Co. turned the city of Newton, Iowa, upside down when it passed a milestone last week. As Maytag's 8-millionth washer rolled from the assembly line, the celebration committee set off aerial bombs and sounded the town's fire siren. Maytag produced its 1-millionth washer in 1927, its 4-millionth in 1941.



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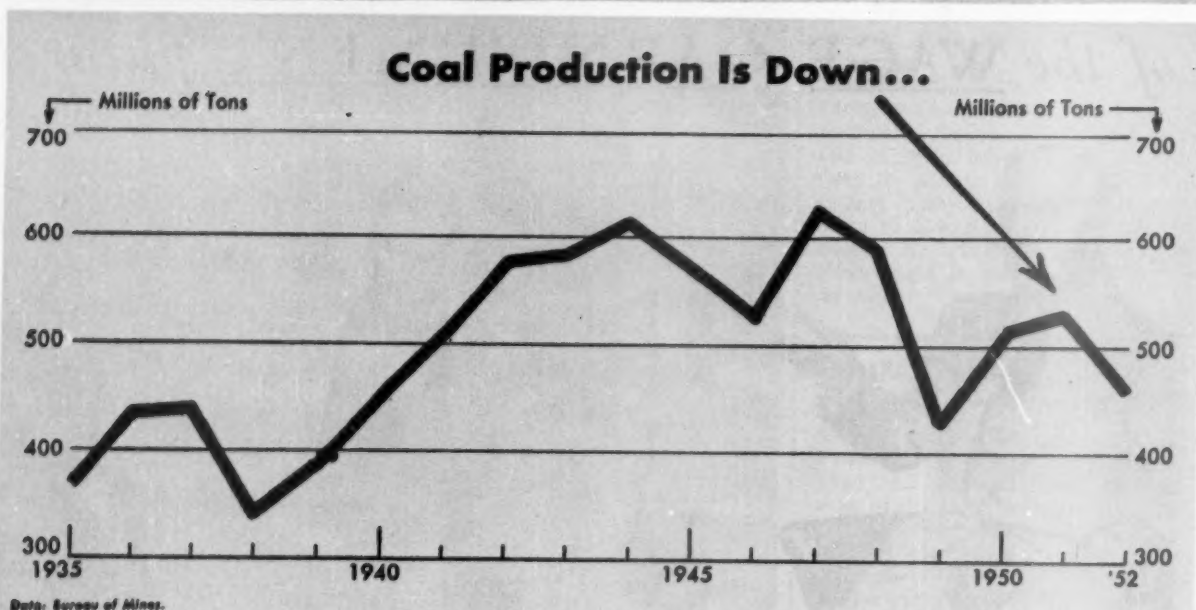
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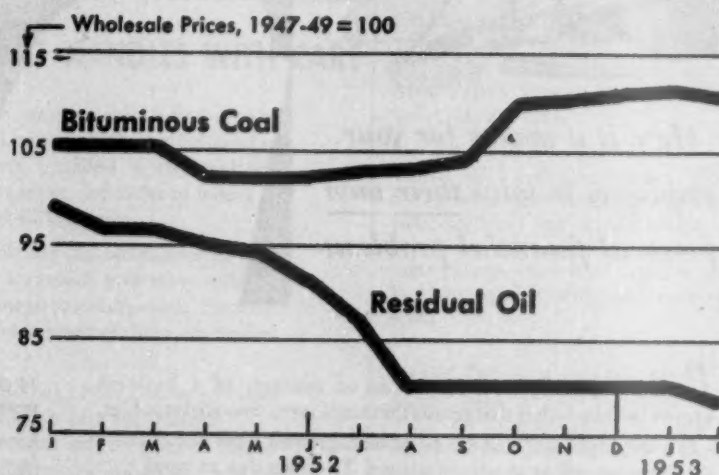
...Price

Competition

Is One

Reason

Why



That Bright Future Isn't Here Yet

The more the government and the big oil companies worry about depletion of petroleum resources (BW-Apr. 4'53,p26), the better the coal industry feels. Coal men know that when other sources of fuel have been used up there'll still be coal to burn. And they hope then to make up for hard knocks they are taking now. But that's all in the future.

Whatever happens to the industry eventually, the present is no fun. Year-ago comparisons tell the story: 1952 production was 13% under 1951, while production for the first quarter of this

year was 21% below first quarter 1952.

What's putting coal in the doldrums now, of course, is the mounting competition from oil and gas. The industry has already conceded the victory as far as residential heating is concerned. In 1952 sales of home oil and gas heaters topped sales of coal heaters by more than 60-to-1. The problem here is not so much comparative costs. Home-owners are willing, if necessary, to pay higher fuel bills for the push-button convenience of oil or gas heat.

• **Imports Tip Scales**—But in industry, by far the most important market, the

problem is very much one of comparative costs. Here coal has been facing some stiff competition—and it has been losing out.

Prices of residual fuel oil have been falling sharply since the beginning of last year. In February, prices were 19% under February, 1952. Coal and oil men agree on the culprit: high and ever-rising imports of foreign residual (BW-Mar. 21 '53, p. 34).

Barring high protective tariffs, there's no relief in sight. Foreign oil production is booming, and the residual that comes as a byproduct of higher-priced

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BUSINESS WEEK

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oil products has to be dumped at whatever price will bring.

• **Shipping Costs**—But imports aren't entirely to blame. For one thing, oil is much cheaper to ship—more than a third of the delivered price of coal, on the average, is in the cost of rail transportation. Also, coal wages and benefits make up 45% to 50% of its price at the mine.

• **Pipelines Cut In**—Gas, too, is giving the coal industry some big headaches. One reason is that as new pipelines are laid, gas producers can sell to industry at low rates on an interruptible basis in order to keep the gas flowing through the lines.

• **Loss of Railroads**—A big blow to coal was the loss of most of the railroad fuel market to diesel oil. In 1947, peak year of coal production, the industry sold 109-million tons of coal for steam locomotives; in 1952 it sold 38-million tons.

On the other hand, take the situation with electric power utilities, coal's biggest customer. Many of them now are equipped to burn either coal or oil; some of them can also burn gas. Those that can are using more oil now to take advantage of the lower price. But coal is still the major fuel of the industry by a long shot, and will stay that way for a long time to come. Steady and plentiful supplies are essential to utilities; they can depend neither on oil, which fluctuates widely both in supply and price, nor on gas on an interruptible basis.

• **Exports Lag**—Together with a weakening domestic market, coal's foreign market is also down—and a large part of it won't come back. Coal producers exported 20-million tons less in 1952 than they did in 1947. A good deal of the high 1947 figure was in windfall exports to Europe. Now, as European coal producers get back on their feet, U. S. exports will fall still further.

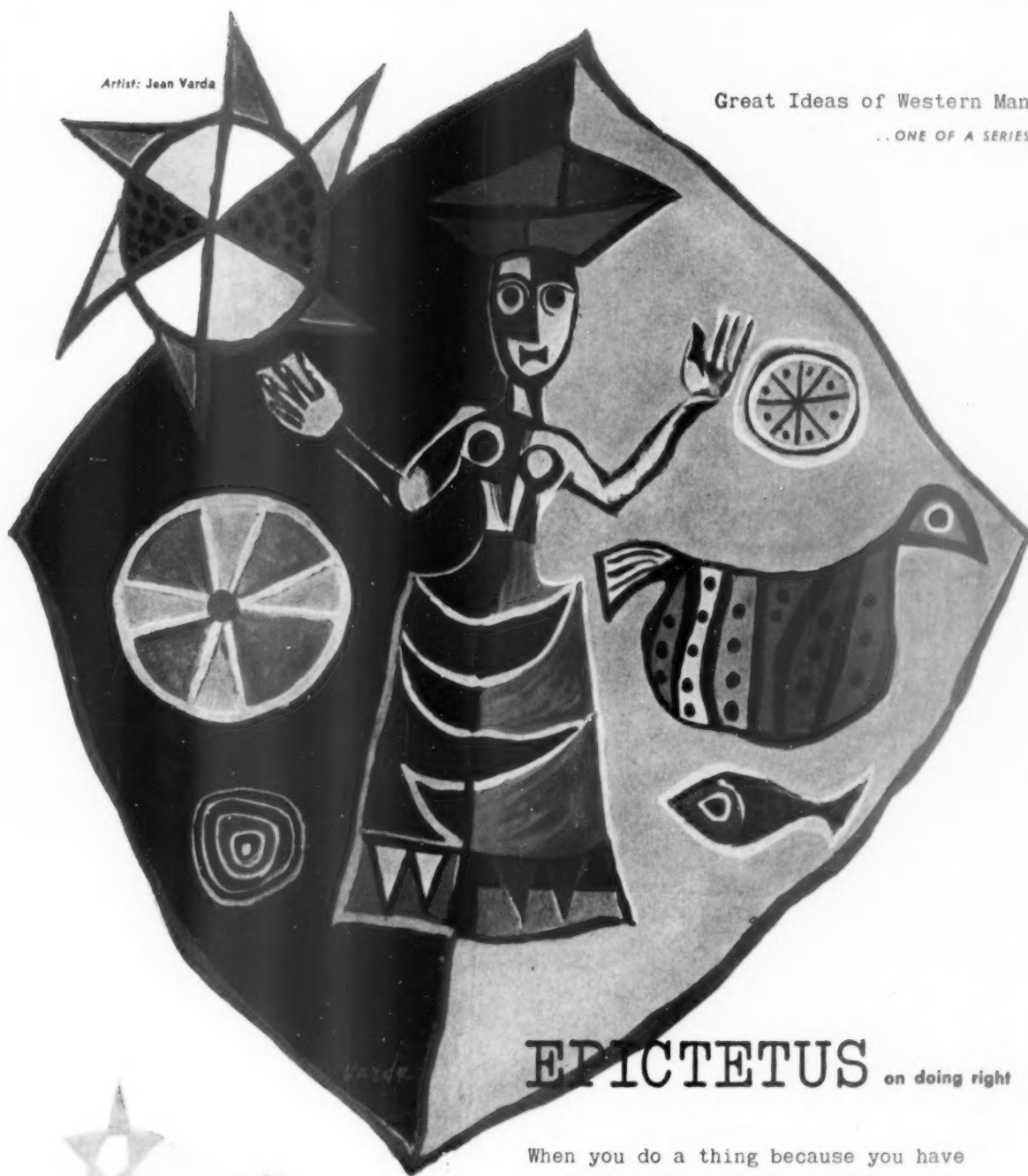
• **Happy Ending**—Coal men take comfort in the fact that coal is still the country's basic fuel. Even 1952's reduced production of 465-million tons still puts the industry well ahead of its prewar average. But it's obvious coal hasn't been getting its share in fueling the U. S.'s tremendously increased production since the war.

For the future, much depends on the industry's ability to cut costs—or, in effect, to pare down the proportion of labor to other costs. Right now, the healthiest long-term sign for coal is that its two biggest customers are themselves getting bigger at a very rapid rate. New electric power plants now being built, or set to be built, will use at least 55-million to 60-million more tons of coal a year by 1957. At the same time, steel production keeps going up, and here there is no competition. You have to have coal to make steel.

Artist: Jean Varda

Great Ideas of Western Man

... ONE OF A SERIES



EPICTETUS on doing right

When you do a thing because you have determined that it ought to be done, never avoid being seen doing it, even if the opinion of the multitude is going to condemn you. For if your action is wrong, then avoid doing it altogether, but if it is right, why do you fear those who will rebuke you wrongly?

(The Manual, circa 100 A.D.)

CONTAINER CORPORATION OF AMERICA



Lagging Profits

For the first time in history, the steel industry last month hit a monthly output total of 10-million tons. Working near 100% of capacity, it is pouring enough steel to make arms, at the same time that it provides the country with steel for consumer goods. But this very high rate of output hides a dangerous financial position. Over the years, steel profits have failed to keep up with output increases.

To an outsider, this is not apparent. The busy steel industry looks prosperous indeed, but the profit share of steel's revenue dollar has gone down, rather than up. In the 1920s, steel was sitting pretty by operating near 70% of capacity. Today the industry would have very tough going if it didn't keep its output well above that figure.

United States Steel Corp. showed in its 1952 annual report that it greatly increased both its investment and production capacity. The corporation's chairman, Benjamin F. Fairless, called this increase "a vital service to the nation," added that competitive incentives to increase and improve tools of production "have been seriously undermined" in recent years.

Looking at the whole industry over the postwar years, we find that steel output has increased greatly, but the industry's real income has not kept pace with increased capacity and production. From 1946 to 1952, the industry spent a total of \$4.6-billion to increase over-all production capacity. This expenditure has raised annual output by 9-million tons.

While this remarkable expansion took place, the steel industry's profit margin has decreased. The two most recent years for which complete figures are available are 1950 and 1951. During that period, steel spent more than \$1-billion a year to expand output. But it could not finance this expansion out of income.

On the one hand, long-term indebtedness for the steel industry as a whole shot up by 33%: from \$763,069,282 in 1950 to \$1,014,663,097 in 1951. On the other, funds retained for expansion and maintenance were cut from \$455,472,064 in 1950 to \$360,693,527 in 1951.

While the over-all expansion program will, to a high degree, be completed this year, the steel industry is faced with new and large expenditures.

To safeguard domestic deposits of high-grade iron ore, the industry is getting ready to mine high-grade ores in faraway Labrador, Venezuela and Liberia. Development of these ore resources, as well as the long-distance shipping, is costly.

To assure future output, the industry is also perfecting the use of low-grade ores from domestic mines. Expensive research and complex machinery are required to make these ores ready for use in steelmaking furnaces.

Today, the steel industry actually faces a dilemma that is common to most of the nation's industries. All industry is subject to pressures from various directions

that cut into funds that are needed to expand or improve operations. The money available for these purposes now represents a very thin slice of the revenue dollar—which looks large only while output is at a peak. But we cannot expect full capacity output to go on forever. Lower production will come one day. When it does come, it should be cause for adjustment, not for disaster.

Temporary—for 21 Years

The Administration and Congress have sounded the death knell for the Reconstruction Finance Corporation. Few will mourn its demise, for though the RFC once served a purpose, it has too often been synonymous with scandal and corruption.

Indeed, the history of the RFC illustrates the evil that lies in big bureaucracy. Established as a temporary agency in 1932, it took on permanent status under the New Deal, constantly expanding both lending powers and influence. It sponsored many worthwhile projects, but bureaucracy's desire to perpetuate the RFC's existence as a means of guaranteeing its own survival was the fundamental cause for the bribery and influence peddling between bureaucrats and businessmen.

Corrupt or not, the RFC remained in business only because bureaucracy cannot bear to liquidate itself. Now, however, it will be done for them. The details have yet to be worked out. But whether the RFC is to be abolished this year or is permitted to die a natural death when its lending powers legally expire in 1954, the important thing is that it will go.

Lenin's Word

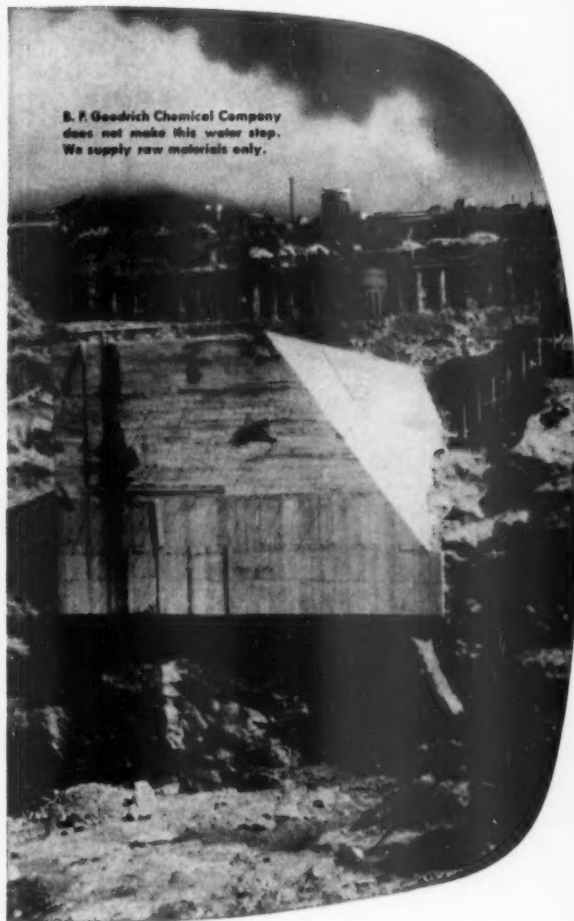
Georgi Malenkov's regime needs to consolidate its position at home and abroad. For this reason it has announced an amnesty for criminals and lower prices on consumer goods. And it has also launched a definite "peace offensive," with conciliatory gestures that appear a break with the past.

It may well be that the Kremlin desire for peace in Korea is genuine, but there is no reason to believe that it entails any real retreat from the fundamental goals of the Soviet Union. On the contrary, today's Malenkov line seems to follow Lenin, who, in explaining why the Bolsheviks made peace in 1917, believed that it was necessary "to retreat in good order when the forces of the enemy are obviously superior to our own, in order to prepare, with the utmost energy, for a new offensive."

The free world need not spurn Malenkov's olive branch, but it is important to remember that there are hidden thorns. The West, as well as Malenkov, must bear Lenin's words in mind: "We are not retreating, going back, as it were; but we are doing this, retreating first, in order to prepare for a longer leap forward."

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